



WASHINGTON STATE

GOVERNOR  
GREGOIRE'S  
GLOBAL  
COMPETITIVENESS  
COUNCIL

WASHINGTON STATE

Rising to the  
challenge of global  
competition

**Governor Gregoire's  
Global Competitiveness Council**

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Rising to the Challenge of Global Competition

March 2006

CHRISTINE O. GREGOIRE  
Governor



STATE OF WASHINGTON  
OFFICE OF THE GOVERNOR

*P.O. Box 40002 ♦ Olympia, Washington 98504-0002 ♦ (360) 753-6780 ♦ TTY/TDD (360) 753-6466*

March 23, 2006

I am delighted to present the findings and recommendations of the Global Competitiveness Council. This group worked diligently over the past year to develop a comprehensive strategy for our state to rise to the challenges of global competition and better position Washington State for success in the 21<sup>st</sup> century. I am confident that you will be extremely pleased with the Council's results and excited about moving forward, as I am, to implement the Council's recommendations.

This was a challenging task, one that required a high level of commitment. I applaud the Council members, and those who supported them, for working so hard to help Washington State realize greater economic vitality and increased prosperity for its citizens. I especially thank co-chairs Judith Runstad and Alan Mulally, whose leadership was essential to the specific outcomes of this endeavor.

The report outlines action steps we are to accomplish as well as measures by which we can gauge our progress. Clearly, much remains to be done. The work ahead will require the combined efforts of government, businesses, educators, and the community at large. As Governor, I personally commit to leading the way as we work together to fulfill the Council's vision.

I know that, in partnership, we can accomplish remarkable results and secure a future for Washington State that we all desire.

Sincerely,

A handwritten signature in blue ink that reads "Christine Gregoire".

Christine O. Gregoire  
Governor

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## GLOBAL COMPETITIVENESS COUNCIL MEMBERS

### Co-Chairs

**Alan Mulally**, President & CEO  
Boeing Commercial Airplanes

**Judith Runstad**, Attorney  
Foster Pepper PLLC

### Infrastructure Committee Co-Chairs

**John Cedergreen**, Vice President &  
COO  
Columbia Foods, Inc.

**Tim Farrell**, CEO  
Port of Tacoma

### Marketing Committee Co-Chairs

**Tom Hedges**, President  
Hedges Cellars

**Alex McGregor**, President  
The McGregor Company

### Political Environment Committee Chair

**Ralph Munro**  
Former Secretary of State

### Research and Innovation Committee Co-Chairs

**Michael Kranda**  
Director of Biotech Venture Investments  
Vulcan Inc.

**Bradford (Brad) L. Smith**  
Senior Vice President & General  
Counsel  
Microsoft Corporation

### Skills Committee Co-Chairs

**Kerry Killinger**, CEO  
Washington Mutual, Inc.

**Bob Watt**  
Vice-President of Government &  
Community Relations  
Boeing Commercial Airplanes

## **Council Members**

**Bill Ayer**, President & CEO  
Alaska Airlines

**The Honorable Barbara Bailey** (R-10)  
Washington State House of  
Representatives

**Rick Bender**, President  
Washington State Labor Council

**Jeni Billups**, President  
SVZ-USA, Inc.

**Charles Bofferding**, Executive Director  
Society of Professional Engineering  
Employees in Aerospace (SPEEA)

**Don Brunell**, Executive Director  
Association of Washington Businesses

**Ben Cabildo**, Executive Director  
AHANA

**Marcus Courtney**, President  
WashTech/CWA

**Irl (Mike) Davis**, President  
A/D Electronics, Inc. (USA)

**Craig Dawson**, President  
Retail Lockbox, Inc.

**M.R. (Mic) Dinsmore**, CEO  
Port of Seattle

**Bob Drewel**, Executive Director  
Puget Sound Regional Council

**Mark Emmert**, President  
University of Washington

**Gregg Hammann**  
Chairman, President & CEO  
Nautilus, Inc.

**Rob Hanson**, President  
Bayview Limousine

**Lee Hartwell**, President  
Fred Hutchinson Institute

**Charles Hasse**, President  
Washington Education Association

**Steve Helmbrecht**, CFO  
Itron Corporation

**The Honorable Jim Honeyford** (R-15)  
Washington State Senate

**Linda Lanham**, Political Director  
IAM District 751

**The Honorable Kelli Linville** (D-42)  
Washington State House of  
Representatives

**Gary Locke**, Former Governor,  
Attorney  
Davis Wright Tremaine LLP

**Valoria Loveland**, Director  
Washington State Department of  
Agriculture

**Scott Morris**, President  
Avista Utilities

**V. Lane Rawlins**, President  
Washington State University

**Steve Reynolds**, President  
Puget Sound Energy

**Norm Rice**, Former Mayor  
City of Seattle

**Mike Riley**, Superintendent  
Bellevue Public Schools

**Heidi Schumann**, President  
Fluency Group

**The Honorable Paull Shin** (D-21)  
Washington State Senate

**Jim Sinegal**, President & CEO  
Costco

**Garry Struthers**, President & CEO  
Garry Struthers and Associates, Inc.

**Craig Ueland**, President & CEO  
Russell Investment Group

**Juli Wilkerson**, Director  
Washington State Department of  
Community, Trade and Economic  
Development

**Rick Wollenberg**  
Chairman, President & CEO  
Longview Fibre Company

## IMPORTANT CONTRIBUTORS

**Pam Barrow**, Director  
Energy/Environmental Affairs  
Northwest Food Processors Association

**Phil Bussey**, Vice President of  
Regional & Public Affairs  
Puget Sound Energy

**Julie Collins**, Director, Economic  
Development & Government Affairs  
Port of Tacoma

**Suzanne Dale Estey**, Vice President,  
Government & Industry Relations  
Washington Mutual

**Dick Dorsett**, Manager  
Governmental Affairs  
Port of Tacoma

**Chris Fidler**, Vice President  
Bockorny Petrizzo

**Terry Finn**, Manager  
Government Relations  
Port of Seattle

**Miles Friedman**, President & CEO  
National Association of State  
Development Agencies (NASDA)

**Glenn Gregory**, President & Portfolio  
Manager  
Obsidian Investment Advisors, LLC

**Heather Hansen**, Olympia Lobbyist  
Washington Association of Wheat  
Growers

**Randy Hodgins**, Director of State  
Relations  
University of Washington

**Chris Hysom**  
Senate Republican Caucus

**Susannah Malarkey**, Executive  
Director  
Technology Alliance

**Steve Mullin**, President  
Washington Roundtable

**Al Ralston**, Director, Northwest Region,  
State Relations  
The Boeing Company

**Elizabeth Robbins**, Manager  
Policy Development & Regional  
Coordination  
Washington State Department of  
Transportation

**DeLee Shoemaker**, Manager  
Washington State & Local Affairs  
Microsoft Corporation

**Collins Sprague**, Director of State  
Government Relations  
Avista Utilities

**Joe Sprague**, Vice President of Public  
& Government Affairs  
Alaska Airlines

**Chris Voigt**, Executive Director  
Washington State Potato Commission

**Mary Welsh**, Assistant Director  
Research Division  
Washington State Department of Revenue

**Dave Zeponi**, President  
Northwest Food Processors Association

### Key Lead Staff

#### **Governor's Office**

**Tom Fitzsimmons**  
Chief of Staff

**Laurie Dolan**, Director  
Governor's Policy Office

**Marc Baldwin**, Advisor  
Governor's Policy Office

**Peter Bogdanoff**, Advisor  
Governor's Policy Office

**Louise Bray**, Advisor  
Governor's Policy Office

**Robert Hamilton**, Advisor  
Governor's Policy Office

**Key Lead Staff - Continued**

***Governor's Office***

**Dana Richardson**, Advisor  
Governor's Policy Office

**Matt Steuerwalt**, Advisor  
Governor's Policy Office

***Office of Financial Management***

**Scott Merriman**  
Director of Legislative Affairs

***Washington State Department of  
Community, Trade and Economic  
Development***

**Larry Williams**, International Trade  
Director  
International Trade Division

**Pam Sandoz**, Operations Manager  
International Trade Division

**Jocelyn Miller**, Secretary Lead  
International Trade Division



## INTRODUCTION

***“Washington is its own small nation in this new world economy; and we are uniquely suited to succeed. We are innovative; we have the human capital, research institutions and the natural resources to take full advantage of the opportunities presented by global trade. I believe the role of government is to support and encourage creativity, innovation, new products, a world-class education system and smart investing . . . Neither government nor business can do this alone. But, government can work in partnership with our business, agricultural and educational communities to build our new economic engines.”***

Governor Christine Gregoire

Governor Gregoire has issued a challenge to Washingtonians to build on our strengths and continue to claim a leadership position in a world that has grown increasingly interdependent. “Rise to the challenge of global competition” is a call to action that applies to the position we find ourselves facing in a world economy that is changing the marketplace faster than anyone could have anticipated. While some may be daunted by the work that needs to be done to take advantage of a global economy, Washington stands ready to act, and by doing so, will be able to share in the rewards that a truly global economy offers. To do this will take commitment, resources and resolve. If we fail to act, the consequence will be unfortunate for our economy and our people.

In his book, The World is Flat, well-known journalist and author Thomas Friedman alludes not to the flattening of opportunity, but conversely, to the flattening of barriers that inhibit the exchange of information, ideas, technology, goods and services among nations. Friedman believes that the shrinking or flattening of the globe can be good for everyone, “The world is flattening and rising at the same time;”<sup>1</sup> although, there is one

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<sup>1</sup> Thomas Friedman, The World Is Flat: A Brief History of the Twenty-First Century, 2005 (New York: Farrar, Straus and Giroux), 231.

important caveat: globalization of the economy will enrich all those who are well prepared.

In Washington State, one in every three jobs is related to international trade,<sup>2</sup> which means our state's economy is already significantly tied to our trading partners. Nevertheless, the world is changing at a pace we have not experienced before, and this means that even those who are well positioned must move quickly or risk being left behind. Complacency will not do. We must take the necessary steps to ensure that our children and our grandchildren are able to thrive in an increasingly economically competitive environment. The choice is ours.

The increasingly globalized nature of the world economy is evident in the dramatic growth in trade and investment flows between nations. In 1980 and 1990, service exports reached \$260 million and \$780 million respectively. Total world merchandise exports reached approximately \$2 trillion in 1980 and \$3.4 trillion in 1990. In 2004, total world merchandise exports had risen to \$8.9 trillion, while services exports topped \$2 trillion. Between 2000 and 2004, both global merchandise and services exports increased at an average annual rate of nine percent.<sup>3</sup>

Merely examining the growth of trade, however, cannot capture the impact of globalization. Foreign direct investment is increasing dramatically. According to the United Nations Conference on Trade and Development, in 1990 the total stock of world foreign direct investment was \$1.8 trillion dollars. By 2000, the stock had soared to \$5.8 trillion and by 2004, to \$8.9 trillion.<sup>4</sup>

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<sup>2</sup> Robert Chase, "Washington State Foreign Imports." Prepared for the WA State Department of Community, Trade and Economic Development, 1999, 8.

<sup>3</sup> International Trade Statistics 2005, 2005 (World Trade Organization), accessed March 2006, <[http://www.wto.org/english/res\\_e/statis\\_e/statis\\_e.htm](http://www.wto.org/english/res_e/statis_e/statis_e.htm)>.

<sup>4</sup> World Investment Report 2005, 2005 (United Nations Conference on Trade and Development), Annex B, 342.

The idea that rapid, unprecedented globalization has changed the way we all must do business is put forth eloquently by Friedman who describes how technology has changed the way we all do business. The newly leveled playing field means there will be greater rewards for those who stay competitive, but care must be taken to ensure you *are* competitive. While some feel threatened by increased competition from parts of the world once viewed solely as markets for American goods, services and technologies, Friedman agrees with the large majority of economists who predict that elevation of our trading partners, in fact, will result in a larger pie for all to share.<sup>5</sup>

Fortunately, the United States is starting from a position of strength. The International Institute for Management Development (IMD) World Competitiveness Yearbook still ranks the United States first in terms of economic competitiveness, followed by Hong Kong and Singapore.<sup>6</sup>

Nevertheless, in a “flattened world,” the challenges are real and we must continuously take steps to ensure that our competitiveness does not decline. The Internet has supercharged the speed of communications and expanded the reach of education through innovations like distance learning. We trade largely in ideas and information, and these now travel at light speed without respect for natural barriers.

These technological advances have allowed countries like India to bypass the traditional pattern of other developing countries.<sup>7</sup> Traditionally, developing countries have followed an export-led model of development based on low-tech industries such as textiles and apparel. Instead, India’s strategy has been to develop the high-tech information service industries, which developed countries have traditionally monopolized. Other

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<sup>5</sup> Friedman, [The World Is Flat](#) 236.

<sup>6</sup> “The World Competitiveness Scoreboard 2005,” [IMD World Competitiveness Yearbook 2005](#), accessed March 2006 <<http://www01.imd.ch/documents/wcc/content/overallgraph.pdf>>.

<sup>7</sup> Thomas L. Friedman, “It’s a Flat World, After All,” [The New York Times](#) 3 Apr 2005.

developing countries have seen India's impressive leap and are adopting similar strategies.

American leadership in terms of innovation, creativity, entrepreneurship, and commercialization of new technologies is in danger of slipping. We must take care to maintain a precious asset: the production of goods and services that a growing world market demands. In Friedman's words, "For the flatter world, you *really* do not want to be mediocre."<sup>8</sup>

In a recent report, entitled "Rising Above the Gathering Storm," the National Academy of Sciences raised the alarm that the United States is losing its competitive edge. Among other things, the report indicates:<sup>9</sup>

- In the United States, only 15 percent of undergraduates receive their degrees in natural sciences or engineering. In other countries, the percentage is much higher: Singapore (67 percent), China (50 percent), South Korea (38 percent) and France (47 percent).
- Federal funding of research in the physical sciences as a percentage of the Gross Domestic Product was 45 percent lower in 2004 than in 1976. At the same time, our competitors, such as China and South Korea, are drastically increasing research and
- In 2005, only four U.S. companies ranked among the top ten corporations that were granted patents by the U.S. Patent and Trademark Office.
- U.S. publication in science and engineering has remained constant since 1992, while total world science and engineering publication has increased by 40 percent. Western Europe, Japan, South Korea, Taiwan, China and Singapore account for much of this increase.

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<sup>8</sup> Friedman, The World Is Flat 237.

<sup>9</sup> Committee on Science, Engineering, and Public Policy, Executive Summary: "Rising Above the Gathering Storm /Energizing and Employing America for a Brighter Economic Future," accessed February 2006 <[http://darwin.nap.edu/execsumm\\_pdf/11463.pdf](http://darwin.nap.edu/execsumm_pdf/11463.pdf)>.

According to Franklin L. Lavin, Under Secretary of Commerce for International Trade at the U.S. Department of Commerce, "Some 20 million U.S. jobs depend upon exports or foreign investment."<sup>10</sup> This poses both an opportunity and a challenge. However, failure to respond to these rising challenges will surely lead to a decline in U.S. competitiveness.

As it stands now, Washington State is anything but mediocre. In fact, Washington State exports more on a per capita basis than any other state in the nation.<sup>11</sup> One in three jobs in the state is generated by international trade, and these jobs pay, on average, almost half again what the average job in the state pays.<sup>12</sup> If Washington were a country, it would rank as the 35<sup>th</sup> largest exporter in the world.<sup>13</sup> In total value, two-way trade amounts to more than one quarter of the state's total production.<sup>14</sup>

This, of course, is a double-edged sword: on one hand, Washington is a vanguard state poised to capitalize on the growth of world markets. On the other hand, it is a state that must act quickly and purposefully so as not to lose out on this opportunity, lest our economy suffer disproportionately as a result of the emergence of superior worldwide competitors.

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<sup>10</sup> Franklin L. Lavin (Under Secretary of Commerce for International Trade, U.S. Dept of Commerce), Comments during the presentation of an Export Achievement Certificate in Newark, NJ, Jan 6, 2006.

<sup>11</sup> World Trade Organization: International Trade Statistics 2005, accessed March 2006, <[http://www.wto.org/english/res\\_e/statis\\_e/statis\\_e.htm](http://www.wto.org/english/res_e/statis_e/statis_e.htm)>.

<sup>12</sup> Richard S. Conway, Jr., "Foreign Exports and the Washington State Economy." Prepared for The Washington State Dept. of Community, Trade and Economic Development et al., February 1997, Executive Summary, x.

<sup>13</sup> World Trade Organization: International Trade Statistics 2005, accessed March 2006, <[http://www.wto.org/english/res\\_e/statis\\_e/statis\\_e.htm](http://www.wto.org/english/res_e/statis_e/statis_e.htm)>.

<sup>14</sup> Washington Council on International Trade: "The Importance of Trade to Washington State," accessed March 2006, <[http://www.wcit.org/resources/publications/issue\\_briefs/ib\\_imp\\_trade\\_wa.htm](http://www.wcit.org/resources/publications/issue_briefs/ib_imp_trade_wa.htm)>.

## **THE GLOBAL COMPETITIVENESS COUNCIL**

Upon taking office as Governor of the state of Washington in 2005, Christine Gregoire set out on an ambitious plan to engage a group of leaders representative of the state whose purpose would be to provide guidance and recommendations on how to enhance the state's competitiveness. Motivated by the current economic position of our state and nation, Governor Gregoire emphasized the need for a more global perspective, thus creating her Global Competitiveness Council.

The Governor's Global Competitiveness Council was launched September 7, 2005. The Governor selected members for the council that represented industry, academic, political, government, labor and agricultural leaders from across the state. Alan Mulally, president and chief executive officer of Boeing Commercial Airplanes, and Judith Runstad, attorney with Foster, Pepper PLLC, were appointed co-chairs of the council.

The council met monthly over a five-month period, with the committees working between meeting dates to meet tight deadlines. By the final meeting January 26, 2006, the committees had analyzed the pertinent issues, selected recommendations based on the state's highest priorities and presented up to five recommendations per committee to Governor Gregoire and the full council.

### **Background: Governor Locke's Competitiveness Council**

In July 2001 Governor Gary Locke initiated the Washington Competitiveness Council. The purpose of his council was to ramp up efforts to ensure Washington's status as a national and world leader in business development. His council focused on key infrastructure and quality of life factors that affect our business climate and made

recommendations regarding the same. Its panel of knowledgeable Washingtonians looked at these specific issues:<sup>15</sup>

- Business-and-occupation (B&O) tax reform, especially for startup businesses.
- Uniform municipal taxation, so all communities in the state can better compete for new business development.
- Better coordination of state and local environmental regulations and permitting processes.
- Increased transfer of new technology from universities to the business community.
- Affordable housing.

While much progress has been made, Governor Gregoire remains committed to building on the initiatives of this earlier work.

### **Governor Gregoire and the Global Competitiveness Council**

Building on the model started by the Washington Competitiveness Council, Governor Gregoire assembled the Global Competitiveness Council in September 2005. Governor Gregoire asked the council to help her develop a vision for global success by identifying and prioritizing issues (opportunities and challenges) that are important for Washington State to compete globally.

The council accepted the Governor's challenge and her three desired outcomes:

***Desired  
Outcomes of the  
Global  
Competitiveness  
Council***

1. The state of Washington will be recognized throughout the world as a place for businesses to thrive, a hub of distribution for products and services, a source of world-class products and services, and an ideal tourist destination;

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<sup>15</sup> Washington Competitiveness Council Executive Summary 2004, accessed March 2006, <<http://www.digitalarchives.wa.gov/governorlocke/wcc/CC%20Phase%20II%20ES%20final.pdf>>.

2. The state of Washington will be positioned as the most progressive globally competitive state in the United States of America, committed to a world-class educated and trained workforce, quality products and services, an exceptional business climate; and
3. The state of Washington will have a comprehensive and effective international trade strategy to include relevant state agencies, local and regional government and non-governmental organizations, businesses, educational institutions, labor, and culture.

***Desired  
Outcomes of the  
Global  
Competitiveness  
Council***

Aware of an evolving landscape, the council focused their attention on crucial areas. They concentrated on the kinds of investments we, as a state, need to make in our most precious commodities: human capital, physical capital and intellectual capital. Richard Florida, who has emerged as one of the scribes of the changing world economy, believes that more than ever, focusing on people is vitally important to an economy. In his book, The Rise of the Creative Class, he states, “The companies then follow the people – or, in many cases, are started by them.”<sup>16</sup>

According to Florida, “Firms and prosperity now flow to the places where the ‘creative class’ clusters . . . the real force behind this clustering [of industry] is people.”<sup>17</sup> In practical terms, human resource directors in thriving companies will tell you that one of the biggest challenges today is attracting and retaining top talent. Thus, the imperative of place is that it must attract and retain people in order to attract and retain businesses.

Florida goes on to write, “The key to regional growth lies . . . in endowments of highly educated and productive people.”<sup>18</sup> He argues that such people tend to go to places that offer amenities, quality of life,

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<sup>16</sup> Richard Florida, The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life 2002 (New York: Basic Books), 218.

<sup>17</sup> Florida, The Rise of the Creative Class, 220.

<sup>18</sup> Florida, The Rise of the Creative Class, 221.



education, and a progressive, modern atmosphere. A state that is willing to invest in its people, and a state that is an aggressive player in the international marketplace, is a state that will produce and attract highly educated and productive people, in other words, Richard Florida's creative class.

***Investing in  
the state of  
Washington***

For the Washington Global Competitiveness Council, crucial elements of such investment include addressing key human and intellectual components of competitiveness:

- Ensure that skills development and education are up to world-class standards.
- Stimulate research and innovation at the levels needed to compete.

The council also wants to ensure core physical and process-oriented components of success are addressed:

- A state of the art infrastructure.
- An aggressive, consistent marketing program.

Last, but not least, it meant looking at the underlying factor that helps frame public policy:

- Maintain a predictable and stable political environment.

## **RIISING TO THE CHALLENGE OF GLOBAL COMPETITION**

The overall strategies of the Global Competitiveness Council are fairly straightforward:

1. Invest in Washington State's human capital.
2. Invest in Washington State's physical capital.
3. Invest in Washington State's intellectual capital.
4. Market Washington State's superior portfolio.
5. Promote a stable, consistent political environment.

*Strategies of the  
Global  
Competitiveness  
Council*

The council formed five strategic committees: Infrastructure, Marketing, Political Environment, Research and Innovation, and Skills. Each committee, made up of some of Washington's most experienced and insightful thinkers, met regularly to thrash out the best ways to address the vital components of these core issues. Their reports reflect significant thought and close interaction among members who shared two common backgrounds: practical experience in the real world, and a deep respect for Washington State. It is their hope that these bold, yet viable, measures will move forward expeditiously and be supported by a populace that recognizes the importance of advancing Washington's collective place in the global market. The complete committee reports are located in the Appendices.

The council took the Governor's charge seriously – to help Washington State stay at the head of the pack in a newly 'flat' world marketplace. As noted earlier, Thomas J. Friedman paints a picture of a world revolutionized by technology, homogenized by communications, and shrunk by corporate practices that increasingly call for interdependent relationships that cross national boundaries. Friedman defines ten "flatteners" or forces that combine to bring the business world closer together, by creating "a global, Web-enabled playing field that allows for

multiple forms of collaboration on research and work in real time, without regard to geography, distance or, in the near future, even language.”<sup>19</sup>

Washington State is well poised to lead the way in taking on the challenges and opportunities of the new flatter world.

## **Infrastructure**

***Competing in a global economy requires a reliable and sustainable physical infrastructure system for agriculture, manufacturing, high-speed telecommunications, transportation and trade. Agricultural producers in Washington must be assured of sufficient water supply for irrigation. Manufacturing companies with international customers depend on energy generation and transmission infrastructure and need efficient modes of transportation for moving goods between plants. Port infrastructure must be in place to ensure quick transfer of cargo between ship and shore as well as the larger markets that depend on Washington as an international gateway. And, access to high speed telecommunications and efficient air travel for people and goods are key to any region desiring a global reach.***

Global Competitiveness Council – Infrastructure Committee

These elements, according to the Infrastructure Committee, are the building blocks for a globally competitive economy. The newly competitive world market places an increased value on all forms of preparation, including that of world-class infrastructure. This takes on heightened importance within an international system of production and logistics that supplants the traditional marketplace and past business practices. The challenge is to focus on infrastructure improvements that strengthen Washington's competitive position in the world today, and continue that focus into the future. The state needs a 'legacy of commitment' to funding and developing improved infrastructure. Quick fixes will not solve our

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<sup>19</sup> Friedman, The World is Flat, 176.

need for greater transportation capacity, reliable water supplies, or better access to broadband telecommunications capable of bringing the world to our desktops. In fact, committee members believe the state must take a long-term view in addressing these concerns. Infrastructure is not a cost, but an investment and the return on that investment is measured in a vibrant economy with well paying jobs for our citizens.

***“Washington built its success as a center of global commerce on a world-class work force and far-sighted infrastructure development. Today’s competitive landscape requires that we continue to look well into the future for advantages and opportunities.”***

Tim Farrell, Committee Chair  
CEO, Port of Tacoma

For too many years U.S. infrastructure was like Mark Twain’s saying about the weather: “Everyone complains about it, but no one does anything about it.” For too many years, American investment in infrastructure has lagged behind the needs of the marketplace. Decaying urban bridges and water systems, and isolation in rural areas have placed constraints upon economic development. More damaging, perhaps, has been the failure to fully appreciate the significance of our ports, which has held back our ability to fully participate in the international marketplace.

Washington’s business community challenged the state to improve its roadways and bridges or risk losing valuable local employers to another state. The state responded with a \$9 billion roads improvement package that passed the State Legislature with bipartisan support and was later affirmed by the voters when challenged by public referendum. This first step in improving Washington’s infrastructure is significant as it demonstrates the will of local citizens to support infrastructure investments. More investments must be made to maintain current assets as well as develop state-of-the-art infrastructure.

The U.S. cannot compete in a global marketplace without adequate infrastructure, and suffers even if the image of inadequate infrastructure is

the issue. Thus, we need a strong and notably visible commitment to investment in infrastructure to keep our state at the forefront of a flattened world. This commitment must come in the form of a collaboration between the public and private sectors, for neither can succeed without the other's support. The committee believes a lasting partnership in critical areas is necessary for the level of sustained investments to be made and targeted appropriately. The committee has identified the following areas of traditional and modern infrastructure as priorities: telecommunications, water, freight, energy, and air transportation.

Specific recommendations are as follows:

- **Telecommunications** must be available statewide as they are essential to virtually all corporations who want to remain competitive. For smaller firms, particularly in rural areas, telecommunications are a gateway to world markets. Telecommunications, more than any other area, are a reason that the world has become "flattened." Accomplishing this would include: conducting an inventory of access to high speed Internet service in the state; and further developing strategies to engage multiple service providers, users, funders and stakeholders in the process.
- **Water** must be conserved and used more efficiently. This includes: providing public funds to study conservation; providing incentives for private investment to explore conservation techniques; changing laws to allow multiple uses, particularly of treated wastewater; and creating more storage for water.
- **Freight**, if left unattended, will become problematic, as freight volume growth has already increased at twice the rate of overall population and traffic growth. The response would include: supporting growth in rail capacity and port-rail connections; preserving rail right-of-way; participating in public-private

partnerships that can expand rail capacity; implementing a strategy for rail asset management, including short-line rail; completing and upgrading the freight corridor highway system; implementing strategic dredging and lock maintenance for the Columbia-Snake River barge system; moving to ensure the security of cargo movement through expedited, but secure, customs; developing a plan for resumption of cargo movements following an emergency situation; promoting the importance of transportation infrastructure as a key to success in trade; increasing funding for freight-related projects; and investing in all-weather roads and bridges in rural Washington.

- **Energy** can be enhanced as a state resource, rather than a constraint. This would include: expediting the siting of renewable energy resources; expediting the cost recovery of investments in renewable energy resource projects; facilitating the siting of electric transmission facilities; diversifying the fuel supply by supporting a Washington alternative fuel sector; and maintaining the cost-effectiveness and reliability of the state's energy supply.
- **Air Transportation** must be enhanced to ensure accessibility to any major national or international destination within 24 hours. This includes: providing inventory of current facilities and capacity; conducting market analysis to determine needs for additional service and/or facilities; and making recommendations on development of additional air transportation capacity for the state to supplement service at the Seattle-Tacoma International Airport.

## **Marketing**

***To maintain and enhance its global competitiveness, Washington State must develop a flexible, but long-term plan. Recognizing that in today's global economy, corporations can be headquartered anywhere on the globe, our state needs to have a clear understanding of what currently makes us an attractive economic partner and what it will take for us to meet the rising bar of global competition... Today, companies make investments based upon a myriad of criteria - quality of life, good schools, workforce readiness, transportation, infrastructure, real estate pricing, taxes and the regulatory environment. Our state has these attributes, but they are useless unless their value is understood around the world. Washington State, local and regional governments, businesses, academia, labor and other organizations are obliged to work together in elevating our state in each of these categories and then in marketing our assets globally.***

Global Competitiveness Council – Marketing Committee

There is no point having a better product unless you tell the world about it. The Marketing Committee report makes it clear that there is much work to be done in this regard.

To recall an old adage, "You don't want to hide your light under a bushel." Washington State has much to brag about and in this newly flat world; we must shout about our assets at the top of our lungs. Places with superlative people and products need to get the word out, if only to distinguish themselves from the rest of an increasingly well-positioned pack. Innovation and productivity are increasing worldwide; Washington is duty-bound to paint its own image in the market with bold, innovative strokes.

In the absence of an integrated highly targeted marketing campaign, much of Washington's current attributes, and much of what we hope to accomplish with all of the above recommendations, will fail to gain footing in the marketplace. Some years ago, the state of Maryland, already a leader in providing support programs for its business community, found

that while companies ranked the state's assistance quite highly, many businesses were unaware of the state's assistance programs. This problem is not uncommon, and failure to get the word out can be a serious constraint upon development. Maryland responded by instituting a hotline for businesses inside and outside the state, to call and find out all about state support for businesses. Then, they advertised the hotline aggressively, on TV, on the radio and in newspapers. The response was almost immediate and nearly overwhelming.<sup>20</sup>

Washington State needs to embark on an all-out offensive to market itself to the world's businesses, traders, tourists and students. Recalling Richard Florida's axiom that special places attract the "creative class" and that the presence of the creative class attracts businesses, Washington needs to market aggressively to let the creative class know this is the place to be, and to let businesses know this is the place where the creative class clusters.

According to its report, the Marketing Committee believes the state should develop and implement a sustained, global marketing strategy to competitively position Washington State as a world-class, premier location for business, products, services and education.

***"In this new world market, Washington needs to make its mark and that means superior product, coupled with superior marketing."***

Tom Hedges, Committee Chair  
President, Hedges Cellars

We already have a significant reputation for "world class quality," natural beauty and an advantageous geographic location. Now, we must step up to the challenge of globally marketing all our assets more effectively so we can compete more successfully in the worldwide marketplace.

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<sup>20</sup> National Association of State Development Agencies: "The NASDA Letter," Apr. 1986, 5.



The Marketing Committee calls for a strong commitment to developing a comprehensive global marketing plan for Washington State. According to the committee, a key component of the marketing plan will be to position it as an investment for the State Legislature, corporations, local governments and labor. We must make the case for ongoing funding by: 1) unequivocally demonstrating the need to globally position Washington State as a world-class economic partner, and, 2) creating the infrastructure needed to achieve this positioning. In other words, we must communicate to prospective funders not only **why** they should underwrite a strategic campaign, but also **what** that campaign will look like and what it will do. It is also important to bear in mind that our plan must remain flexible enough to grasp funding opportunities as they become available.

The goals of a competitive marketing plan would be to: promote trade across all industry sectors; increase tourism; attract new businesses and investment from around the world; and attract the best minds to Washington's higher education institutions.

Specific committee recommendations are:

- Commit to organizing a Global Business Attraction and Promotion Campaign for trade, business attraction, tourism, education, arts and culture;
- Use resources currently available to the extent possible (in-place marketing programs);
- Secure needed funding and a designated revenue stream to implement a comprehensive strategy;
- Obtain executive and legislative support for dedicated funds to sustain ongoing efforts;
- Leverage additional resources from places such as: the Ambassador Program; regional initiatives; partner agencies and companies; local celebrities; tribes; state agencies; tourism; universities; arts organizations.

The strategy would involve targeted markets, targeted customers and targeted marketing platforms, and would build upon and around existing marketing programs and venues.

### **Political Environment**

Addressing public policy issues must always consider the political environment for context. On one hand, politics is a way of life, and at its best, can produce forward-thinking policies that address the public interest in the broadest sense. On the other hand, subdividing the world into countless political jurisdictions tends to create a divided view of the world, as does the natural tendency of government officials to have diverse points of view. Further complicating the matter is the frequent turnover in political leadership, which mitigates the development of a long-term vision. This, coupled with the massive spectrum of policy issues public officials must deal with on a daily basis, makes it hard for them to concentrate on any one issue.

Developing a comprehensive vision that survives over time is extremely challenging within the political processes, particularly if those processes lack stability and predictability. However, this is exactly what Washington needs to do to launch a sustainable, viable effort to become a world leader in the international marketplace. To complete the daunting task of setting forth a comprehensive global competitiveness strategy, one must lay the groundwork of crafting and articulating a common vision and goals. This foundation will provide the building blocks upon which to develop a unified strategy for global competitiveness. The Global Competitiveness Council Report, in its entirety, represents the first step in developing a sustainable strategy for Washington State to be a world-class player in the newly flattened world.

How does one reconcile the need for a long-term comprehensive vision with the strong tide of forces that push a state in the opposite direction?

This is a particularly vexing issue in a state like Washington, which is an “initiative-based” state, and thus is subject to routine disruptions in the long-term planning process. The Political Environment Committee suggests that for Washington State to compete in the global market place, there needs to be more stability within the political processes of state and local governments.

Developing and maintaining a long-term comprehensive vision can be the force that unifies the many elements of a political process. If Washington State were able to craft a coherent, consistent set of long-term goals, guided by a consensus vision of what the state should be, it could become a guiding and unifying force around which individuals could rally. That vision would become a frame of reference for policymakers, help instill accountability, rally the business community, and create the prospect of political continuity. How can even the most insightful effort succeed without a broad, long-term agreement as to the vision and goals of that effort?

***“We cannot stop here. The strategy must be one we can rally around, and we must stay the course. We cannot keep changing directions every time the spirit moves us.”***

Ralph Munro, Committee Chair  
Former Secretary of Washington State

When we are able to coherently articulate the goals and objectives of a globally competitive Washington State, and achieve buy-in from political, business and grassroots leaders, it will be possible to put forth a consistent, comprehensive global strategy that is less threatened by non-supportive initiatives, tax or budget policies. This consensus-supported, demand-driven strategy would also generate support for multi-cultural training, cultural diversity and religious tolerance in our state.

Moreover, a clear-cut, unambiguous commitment to globalization would reinforce the attractiveness of Washington State to Richard Florida’s

creative class and to the national and international companies that tend to cluster around them. How do we accomplish this?

1. Commit the resources necessary to develop a comprehensive global competitiveness strategy; and
2. Enlist the appropriate agencies and individuals to build widespread consensus around and commitment to a strategy.

This report of the Global Competitiveness Council has laid the groundwork for the requisite comprehensive strategy and for an action plan that will spur implementation. With performance measures added, we will be able to gauge our progress towards reaffirming Washington's competitive place in the newly flattened world. The key now will be building consensus around the strategy, its goals and objectives.

Consensus building is not a casual undertaking. For a comprehensive strategy for global competitiveness to survive changes in leadership and a constantly evolving political environment, there must be true buy-in from key individuals and groups. Support for the strategy must be widespread, deep and genuine. It may not be possible to enlist every single resident of the state to the cause, but one can build institutional support for the strategy that will allow it to be sustained over time. This kind of long-term consistency would appeal to a traditionally skeptical private sector, and would give public officials a predictable mandate so that they can stay the course.

A suggested method to accomplish this could be to target key groups, which would include state and local government officials from both the legislative and executive branches; business leaders from a broad spectrum of companies both large and small, a range of interest groups who benefit directly from international trade; representatives of labor; business organizations, service industries, manufacturing associations, technology groups; local economic developers and their statewide associations; educators at all levels and media representatives.

Engaging groups in this manner could pave the pathway to a full-blown strategy. The first step would involve conducting a series of well publicized briefings/focus groups in small and large communities around the state. Settings would be informal, and outside of government offices. Essential statewide and regional groups would be invited to partner in organizing and sponsoring the sessions, and local organizations would be invited to host them. Participants would be carefully selected to ensure the inclusion of key individuals; however, the general public would also be invited. Policymakers and other government officials would be encouraged to sit in with the other groups to hear what citizens have to say. The sessions would be professionally moderated and structured around key issues in global competitiveness. Reports summarizing the proceedings would be written and distributed to the participants and made available for public review on the Internet.

The Political Environment Committee recognized the importance of such community engagement and suggested the goals of the sessions could be:

- To inform participants about the nature of a globally competitive strategy, the reasons for developing it, the benefits it can bring to Washington State and the metrics that would be used to measure progress;
- To gain input from participants that could aid with both framing strategy and implementation;
- To achieve a sense of vesting for the participants so they would identify with and feel a part of a comprehensive strategy for global competitiveness.

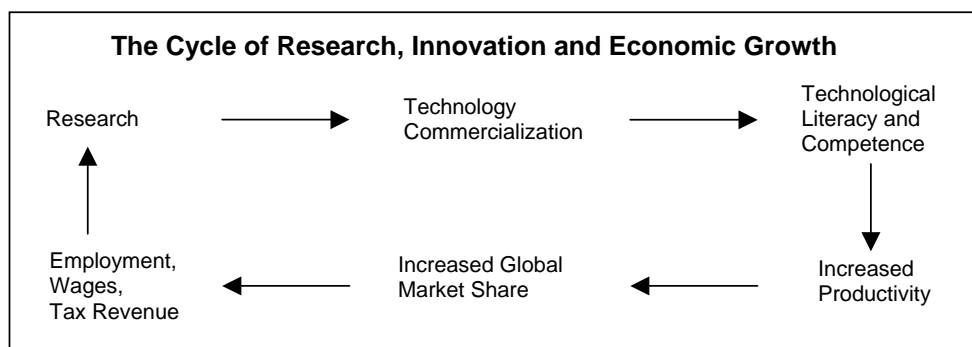
It would be important that organizers listen, as well as talk to the participants. The groups who partner in implementing the focus group sessions would need to have a great deal of input to the process. We would hope to come away from this process with a substantial gain in good ideas and information, and with a great many Washington residents who

develop a sense of ownership of Washington State's strategy for global competitiveness.

## **Research and Innovation**

In a flat world, posits Friedman, innovation can occur almost anywhere in the world, and can then migrate to any other part of the world, with lightning speed. He points out that the failure to maintain the pace of innovation that helped make America great could be a pitfall, and implores us to continue to invest in our ability to innovate. Simply put, this means we need to support research and innovation if we are to take advantage of the newly flat world, rather than be left out of the generally rising tide of benefits. Friedman observes that, "There may be a limit to the number of factory jobs in the world, *but there is no limit to the number of idea-generated jobs in the world.*"<sup>21</sup>

Innovation and research hold the key to our economic future and create a cycle of development that yields increased living standards and globally competitive businesses, following this general pattern:



Americans have long known that our ability to innovate has been central to our economic success. In the 1970s Harvard researchers found that what separated thriving U.S. cities from decaying U.S. cities was the birthrate of

<sup>21</sup> Friedman, The World Is Flat, 230.

new firms, not the emigration of older firms.<sup>22</sup> This ran counter to the conventional wisdom of the times which held that snow belt cities were suffering from flight to the sunbelt and vice versa. In fact, comparisons of newer and older cities revealed that the biggest difference was in the rate of new startups. This should have made sense, given that innovation was largely what helped build those established communities in the first place. Somehow, they had forgotten how to incubate new businesses.

In its report, the Research and Innovation Committee proposes a broad ten-year vision that connects the importance of strong research and innovation with the:

- A. Creation of jobs
- B. Healthy economic growth and a high standard of living and
- C. Broad opportunity throughout the state's economy, reaching people of all backgrounds and in all the state's geographic locations.

***"It's really quite simple: innovation equals jobs and income."***

Brad Smith, Committee Chair  
Senior Vice President and General Counsel  
Microsoft Corporation

Innovation holds the key to promoting the next generation of products. It is central to rejuvenating our mature industries like forestry and agriculture. It holds the promise of leading the world in new and unforeseen industries. It is the key to the demand side of our economic engine and the supply side of our education and skills strategy. Only through research, innovation, and productivity can Washington compete globally and provide secure jobs and higher living standards.

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<sup>22</sup> National Association of State Development Agencies: "The NASDA Letter," Nov. 1980, 3.

Here is the true meaning of the flat world, namely, that those who continue to innovate will have every opportunity to celebrate the newly interdependent world. Washington State must be one of those places.

One of the keys to the new world economy is the rapid advancements being made here and in other parts of the world. However, many, including Friedman, feel the U.S. has been a bit complacent, resting on past laurels and successes as others pass us in the fast lane. We will have to re-dedicate ourselves to the American spirit of invention and creativity if we are to enjoy the fruits of the expanding productivity technology has made possible. The Research and Innovation Committee believes that this means focusing more on technological advances, economic innovation and entrepreneurship if Washington's economy is to thrive and maintain growth.

For many years various services have been publishing rankings of the states as to their business climates. One of the more popular new rankings purports to gauge how well states are prepared for the "New Economy" that features technology and innovation. According to The 2002 State New Economy Index, there are eight key policy areas that states must foster for an innovation-oriented economy:<sup>23</sup>

1. Focus on the quality, not quantity, of jobs in the region.
2. Know your state's function.
3. Get smart about business incentives.
4. Co-invest in the skills of the workforce.
5. Co-invest in an infrastructure for innovation.
6. Support industry clusters.
7. Boost quality of life.
8. Help more regions succeed in the new economy.

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<sup>23</sup> The 2002 State New Economy Index: "Economic Development Strategies for the New Economy," accessed March 2006, <<http://www.neweconomyindex.org/states/2002/strategies.html>>.



These multi-faceted, key areas must interact in order to experience strong economic growth in the new economy of today.

The set of key criteria identified above contain the same factors identified at the 2004 Prosperity Partnership Regional Economic Summit as elements that make for a strong, innovative economy. The 2004 Summit revealed that areas of concern for local community and business leaders are: human resources, technology, business climate, access to capital, physical infrastructure, and quality of life. Based on these concerns, key areas of focus are education, technology transfer, small business and entrepreneurship, taxation, transportation, and social capital to facilitate and improve Washington's competitiveness.<sup>24</sup>

Where does this leave Washington State, and what do we need to do to guarantee success in the future? The 2002 State New Economy Index ranked Washington State second in its index of innovative economies, based on its strengths in software, entrepreneurial activity, and strong use of digital technologies.<sup>25</sup> However, "Bio 21: Washington State's Initiative in 21<sup>st</sup> Century Health" notes that Washington State traditionally has ranked 46<sup>th</sup> among all the states in per capita spending on research and development. It also indicates that Washington lacks both significant state financial commitment as well as organized public-private partnership to remain competitive with other states, regions, and countries that are able to move aggressively on both fronts.<sup>26</sup>

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<sup>24</sup> Prosperity Partnership: "November 19, 2005 Regional Economic Summit," accessed March 2006, <<http://www.prosperitypartnership.org/news/summit/breakoutsummary.pdf>>.

<sup>25</sup> The 2002 State New Economy Index, accessed March 2006, <<http://www.neweconomyindex.org/states/2002/washington.html>>.

<sup>26</sup> The Technology Alliance, "Bio 21: Washington State's Initiative in 21<sup>st</sup> Century Health." Prepared for Governor Gary Locke from the Bio 21 Steering Committee, accessed March 2006, <[http://www.iowabiotech.com/econ\\_dev\\_reports/BIO21\\_Report.pdf](http://www.iowabiotech.com/econ_dev_reports/BIO21_Report.pdf)>.

Committee recommendations include actions in four basic areas:

- **Increase support for research, especially in universities.** This would include: increasing state funding for research and research institutions; bridging funding for the Life Sciences Initiative; and recruiting “star” academic researchers.
- **Ensure a healthy transfer of technology and knowledge from universities to the commercial marketplace.** This would include: implementing recommendations of the Economic Development Commission report on commercializing technology; creating incentives for public-private partnerships; supporting investment capital; focusing on technology transfer; developing strategies to better promote technology access for small, minority and women-owned businesses; providing grants to promote local innovation zones; promoting and implementing 2005 ethics rules changes; increasing access to new locally generated technologies and inventions for Washington firms; giving presentations on Washington’s innovative attributes; inventorying resources for technology development and commercialization; improving access to early stage capital; developing tax policies more conducive to entrepreneurship; and creating strategies to address concerns over intellectual property.
- **Promote the use of technology and innovation broadly throughout society, including businesses large and small, for people of all backgrounds and walks of life, and in all parts of the state.** This would involve: putting more focus on innovation challenges and opportunities outside of Puget Sound; engaging all parties in more discussion about research and education as the key to the future; creating a local grant process for innovation zones; and developing strategies to promote better access for small, minority and women-owned businesses to technology and innovation.

- **Prepare and engage the workforce for making use of these innovations.** This would involve: creating incentives for students, faculty and institutions to focus on critical academic areas; developing curriculum and institutional investments in higher education to evaluate readiness for an innovation economy; prioritizing educational investments; allocating market-based investments in higher education; and providing incumbent worker training that promotes innovation and technology adoption.

## **Skills**

***Washington State must improve and strengthen its educational system to be competitive on a global basis. Education is a fundamental investment that can yield significant returns for Washington's citizenry, its economy, and its global standing.***

***The Skills Committee envisions a 'seamless educational system' that raises the bar of educational expectations and achievements through a quality, standards-based system. The system that is envisioned will align state investments in education with projected workforce needs and address issues of equity and access to education.***

Global Competitiveness Council – Skills Committee

Two great advantages we have always had in the U.S. are the skills and productivity of our workforce. But in this changing world, skills are more widely distributed among nations, and the dispersal of technological innovation has improved the productivity of workers around the globe. We owe it to our young people to give them the preparation to be the productive workforce of tomorrow, and we owe it to our current workforce to give them the opportunity to be the workforce of tomorrow, today.

All too often, we see disconnects between the needs of the real world and the ways we prepare our workforce. The Skills Committee has called for a more consistent, demand-driven education and training system. Concerns

were raised about attention to students at the earliest ages, when learning begins; about transitional stages when students tend to drop out; about traditional skill gaps among groups of students; and about the degree to which our students are prepared for the future. Indeed, the committee's research revealed that about 40 percent of Washington high school graduates need remedial coursework in college. This duplication of effort puts a tremendous burden on individual students, our educational institutions and the state.

With regard to workforce issues, the Skills Committee reported that one-third of Washington's adult population has only a high school diploma or less. With the increasingly complex technical knowledge and problem-solving skills required of the workforce, Washington State must step up to the challenge of providing higher education for all of our citizens.

Last, but not least, the committee noted that research into educational attainment was constrained by the lack of a comprehensive state-wide student data system. The ability to track and analyze student performance is critical to educators and policymakers alike.

***“Workforce preparation starts early in the education process and continues throughout our lives. Our recommendations are geared toward enhancing the chances of current and future members of the Washington workforce to be among the most productive in the world.”***

Kerry Killinger, Committee Chair  
CEO, Washington Mutual

This is, as noted, no time to be complacent. Other nations are investing heavily in education and placing great emphasis on student achievement. While we often hear complaints about our inability to compete with the cheaper wages and low-skilled workers overseas, nations like India and China feature increasingly skilled workers, competing at wages that are comparatively lower than their American counterparts. Our best hope to maintain a lead in productivity is a highly skilled, highly motivated workforce.

The Skills Committee identified four key areas for action:

- **Create Seamlessness** within a world-class education system to enable students to continually advance their skills and knowledge, preparing them to flourish in the real world. This would entail: developing model curricula aligned to college and international standards; developing data systems to monitor student progress; providing universal pre-kindergarten services; and offering all-day kindergarten statewide.
- **Raise the Bar** so that all students are held to a consistent, top-level standard of performance and achievement. This would entail: identifying appropriate international standards in key areas and curricula to go with them; strengthening teacher preparation programs; adding another year of math for high school students; exposing students to different cultures; and implementing strategies to decrease achievement gaps.
- **Invest in Education** so that funding is sustainable and linked to outcomes that advance efforts to raise the bar. This would entail: protecting and augmenting existing funding levels; supporting the Washington Learns study effort; ensuring that policymakers and others are able to see spending on education as an investment; assessing market-driven incentives for encouraging students to enter high demand areas.
- **Prepare the Workforce** by ensuring that incentives, education and training programs are available to help our citizens be as productive as possible. This would entail: creating incentives to focus on key areas for economic growth; supporting development of curriculum that addresses real world workforce needs; advancing skills training opportunities for kindergarten through grade 12, including the skilled trades and workers without college degrees; and aligning state investments with workforce needs.

## CONCLUSION

Governor Gregoire addressed the issue of global competition at a Regional Leadership Conference in October 2005. In her remarks, she contrasted the views of Thomas Friedman and of Richard Florida who wrote in The Atlantic Monthly, about the "spiky" world of unequal growth and of "valleys" that are left behind by global competition.<sup>27</sup>

The Governor clearly articulated the path ahead:

***"Our challenge in the coming years is to bring the economic growth and potential of Thomas Friedman's flat world to Richard Florida's languishing valleys. And to make sure the fruits of our innovation-driven economy touch all parts of our region.***

***To me, that is the role of government: to help facilitate innovation, transfer ideas to products, create a world-class education system, make smart investments, and make sure our prosperity touches all of us, not just a few."***

Governor Christine Gregoire

The Governor was encouraging not just government, but all of us, to rise to the challenge of the new world economy. Governor Gregoire convened the Global Competitiveness Council for the purpose of crafting a roadmap for our future. If Washingtonians are to share in the worldwide increase in prosperity, we must embrace innovation, we must invest in education, we must encourage technological advances, we must market our superior portfolio, and we must manifest the political will to resist inconsistency and embrace continuity.

In short, we must be a state that embraces and sustains a strategy of global competitiveness and we must be a state that will commit the

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<sup>27</sup> Richard Florida, "The World is Spiky," The Atlantic Monthly, Oct 2005, 48-49, accessed March 2006, <<http://www.creativeclass.org/acrobat/TheWorldIsSpiky.pdf>>.

resources necessary to implement that strategy. Friedman compares the connection of our modern world via technology to the physical connection of 19<sup>th</sup> century America by completion of the railroad. According to Friedman, “In the end, everyone along the line will benefit . . . . The way to succeed is not by stopping the railroad line from connecting you, but by upgrading your skills and making the investment in those practices that will enable you and our society to claim your slice of the bigger but more complex pie.”<sup>28</sup>

The road will not necessarily be easy, and there will be costs involved. This is a time that will test our commitment to making Washington a force to be reckoned with in the newly flattened world. The council calls upon political leaders, business leaders, university leaders, students, consumers, government officials, associations, and all those who participate in our economic system to commit to reinforcing the position of Washington State in the worldwide marketplace.

Governor Gregoire and the Washington Global Competitiveness Council have set upon an urgent course: to galvanize Washingtonians to action, so that we may take our rightful place as leaders in a worldwide market. Council Chair, Judith Runstad summed it up when she said, “We have tried to develop a vision for global success, so that all Washingtonians can share in the growing worldwide bounty made possible by innovation.”

Chairman Runstad goes on to say, “If we will invest in our human capital, if we will invest in our physical capital, if we will invest in our intellectual capital, if we will commit to marketing our product and if we will commit to a stable political environment . . . then we will succeed.”

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<sup>28</sup> Friedman, The World Is Flat, 236.

## **RECOMMENDATIONS AND MEASURES**



## Infrastructure Committee

The Infrastructure Committee is focused on long term investments to ensure the building blocks for a globally competitive economy are in place in Washington. Our priorities and metrics stretch over decades, and responsibility for achieving them naturally rests on an ongoing collaboration between the public and private sectors. Within the infrastructure arena, these represent the most important areas for sustained commitment by the state, its businesses and citizens.

Recommendation/Action	Metric/Measures of Completion	Responsible
<b>Telecommunications</b>  Promote affordable access to high-speed telecommunications services in all parts of the state.	Increased availability of high-speed telecommunications options throughout the state.	<ul style="list-style-type: none"> <li>• Private and public partnership</li> </ul>
<b>Water</b>  Create more storage for water and locate that storage as high up and/or as far upstream as possible to provide greater opportunity for multiple use.	<p>The policy framework and the institutional system for identifying, designing, authorizing, and constructing water storage projects have been improved and strengthened.</p> <p>New water storage projects have been identified, and are authorized or under active evaluation.</p> <p>Funding needed to create new water storage projects has been secured.</p>	<ul style="list-style-type: none"> <li>• Project partnerships between federal, state, tribal and local governments, and water storage beneficiaries</li> <li>• For the state's water storage program – the Washington State Department of Ecology</li> </ul>
<b>Freight Mobility</b>  Enhance and maintain the rail system throughout the state.  Ensure confidence in the state's ability to move goods to and from ports for international trade.	<p>Increased strategic investments, preserved and enhanced capacity.</p> <p>Manufactured goods and agricultural products move to destinations and markets in a cost-effective and time-certain manner.</p> <p>Active and fully functioning ports, whose maintenance needs are regularly addressed.</p>	<ul style="list-style-type: none"> <li>• Private and public partnership</li> <li>• Private and public partnership, involving federal, state, local and private investments</li> </ul>

Infrastructure Committee Recommendations Continued

Recommendation/Action	Metric/Measures of Completion	Responsible
<b>Freight Mobility - Continued</b>  Invest strategically in safety and capacity improvements in key corridors.	Provide governance and financing tools for transportation infrastructure to the Puget Sound region.  Citizens and leaders understand the importance of a competitive and efficient transportation system to our state's global trade economy.	<ul style="list-style-type: none"> <li>• State and regional leaders</li> <li>• Community leaders</li> <li>• Transportation agencies</li> </ul>
<b>Energy</b>  Maintain the cost-effectiveness and reliability of the state's diverse energy supply.  Facilitate the timely siting of necessary energy facilities.	Continued cost-effective resource investments into a diverse portfolio of energy supplies.  Adequate permitting authority and responsive permit processes.	<ul style="list-style-type: none"> <li>• Private and public partnership</li> <li>• Private and public partnership</li> </ul>
<b>Air Transportation</b>  Increase air capacity.	Enhanced air transportation capacity for people and goods.	<ul style="list-style-type: none"> <li>• Public and private partnership</li> </ul>

## Marketing Committee

Recommendation/Action	Metric/Measures of Completion	Responsible
Commit to organizing a <b>Global Business Attraction and Promotion Campaign</b> to include trade, business attraction, tourism, education, arts and culture. The Washington State Department of Community, Trade and Economic Development (CTED) to spearhead.	<p>Greater access to foreign markets as measured by increased number of trade missions.</p> <p>Growth in state business investment.</p> <p>Increased investment and job growth in our state from both domestic and international businesses.</p> <p>Increased tourism to our state.</p> <p>Increased student enrollment in state educational institutions.</p>	<ul style="list-style-type: none"> <li>• Governor</li> <li>• Legislature</li> <li>• Washington State Department of Community, Trade and Economic Development</li> <li>• Washington State Department of Agriculture</li> </ul>
Use current resources available – the first stages of an inventory of state marketing inventory is attached to the report – this work is ongoing.	<p>Leveraged funds and resources.</p> <p>Increased number of cross-agency marketing efforts.</p>	<ul style="list-style-type: none"> <li>• Washington State Department of Community, Trade and Economic Development</li> </ul>
Secure the necessary funding and designated revenue streams to implement a comprehensive strategy.	Leveraged funds and resources.	<ul style="list-style-type: none"> <li>• Governor</li> <li>• Legislature</li> <li>• Washington State Department of Community, Trade and Economic Development</li> </ul>
Obtain executive and legislative support for dedicated state funds to sustain ongoing efforts – beginning with the 2007-2009 legislative and budget cycle.	Funds and full-time employees appropriated.	<ul style="list-style-type: none"> <li>• Governor</li> <li>• Legislature</li> <li>• Washington State Department of Community, Trade and Economic Development</li> </ul>
<p>Leverage additional resources available – such as:</p> <ul style="list-style-type: none"> <li>• Ambassador Program and spokespeople</li> <li>• Regional initiatives</li> <li>• Partners – ports, associations, commissions, companies</li> <li>• Use local celebrities and talent to convey message</li> <li>• Tribes</li> <li>• State agencies (CTED, Agriculture, other)</li> <li>• Tourism</li> <li>• Universities</li> <li>• Arts organizations</li> </ul>	Leveraged funds and resources.	<ul style="list-style-type: none"> <li>• Washington State Department of Community, Trade and Economic Development with appropriate public and private partners</li> </ul>

## Research and Innovation Committee

Recommendation/Action	Metric/Measures of Completion	Responsible
<p><b>Increase support for research and innovation in the state.</b></p> <p><b>Short Term Recommendation:</b> “Bridge” funding for the Life Sciences initiative, including activities to increase administrative funding and secure non-state funds.</p> <p><b>Long Term Recommendation:</b> Develop statewide strategies to recruit “star” academic researchers. Specifically, recruit and provide institutional support for nano-technology experts and other experts in vital future fields. The committee expressed particular interest in the Georgia Research Alliance example.</p>	<p><b>Short Term:</b> Legislature approves Governor request for additional Life Science Discovery Fund Board funding (\$900,000).</p> <p><b>Long Term:</b> Creation of a steering committee, associated with the Life Science Discovery Fund, to develop a strategy and develop performance milestones associated with the long-term strategy. Potential outcome measures include: return on investment for Life Science Discovery Fund investments; federal dollars received for health and science projects; number of academic “star” researchers in the state (with definition of “star” to be determined).</p>	<ul style="list-style-type: none"> <li>• Governor’s Office</li> <li>• Washington State Department of Community, Trade and Economic Development</li> <li>• Research Institutions</li> <li>• Life Science Discovery Fund Board</li> </ul>
<p><b>Promote commercialization and technology transfer.</b></p> <p><b>Short Term Recommendations:</b> Create a local grant process to promote local efforts around innovation zones, setting the stage for redirecting resources toward local concentrations of innovation in 2007-2008.</p> <p>Promote and implement 2005 ethics rule changes and establish measures of success for these activities.</p>	<p><b>Short Term:</b> Design and implement “Innovation Zones” planning grants with recommendations by fall of 2006.</p> <p>Convene joint discussion with University of Washington and Washington State University regarding next steps and performance measurements. Potential measures include companies licensed, patents received, royalty income.</p>	<ul style="list-style-type: none"> <li>• Governor’s Office</li> <li>• Governor’s Office</li> <li>• Research Universities</li> </ul>

Research and Innovation Committee Recommendations Continued

Recommendation/Action	Metric/Measures of Completion	Responsible
<p><b>Long Term Recommendation:</b> Review and adopt recommendations of the Economic Development Commission report, "Enhancing Washington State's Economic Future: Commercializing Technology Developed in Our Research Institutions," January 2006 consistent with Global Competitiveness recommendations.</p>	<p><b>Long Term:</b> Convene subcommittee of the Economic Development Commission to set priorities from the report. Integrate into strategic plan for the state to be announced in the fall of 2006. The report includes specific measures that could be adopted.</p>	<ul style="list-style-type: none"> <li>• Governor's Office</li> <li>• Washington State Department of Community, Trade and Economic Development</li> <li>• Economic Development Commission</li> </ul>
<p><b>Broaden distribution of technological knowledge and access.</b></p> <p><b>Primary Short and Long Term Recommendation:</b> Develop strategies to better promote technology and innovation access for small businesses and for minority- and women-owned businesses and help them grow and compete.</p>	<p><b>Short Term:</b> Identify potential partner associations to work with on this recommendation.</p> <p><b>Long Term:</b> In coordination with partner associations, develop a strategic plan for expanding the distribution of technological knowledge and access. Specific outcome measures might include: Washington Assessment of Student Learning (WASL) math and science scores; percentage of high school students pursuing math and science degrees; number of technology graduates from community colleges.</p>	<ul style="list-style-type: none"> <li>• Office of Superintendent of Public Instruction</li> <li>• Washington State Department of Community, Trade and Economic Development</li> <li>• Trade associations</li> <li>• Washington Technology Center/Spokane Intercollegiate Research and Technology Institute (SIRTI)</li> </ul>
<p><b>Prepare and engage the workforce to promote innovation.</b></p> <p><b>Primary Short and Long Term Recommendation:</b> Evaluate market-based responses to higher education funding, including different tuition levels for high demand, high cost areas.</p>	<p><b>Short Term:</b> Washington Learns' recommendations around higher education funding should acknowledge goal of promoting innovative workforces.</p> <p><b>Long Term:</b> Measures might include: graduation rates for math, science, and other technology related degrees at universities and community colleges; establish and track productivity measures for state industries; patents; number of Washington firms assisted by Washington Manufacturing Services, Washington Technology Center, and the Spokane Intercollegiate Research and Technology Institute (SIRTI).</p>	<ul style="list-style-type: none"> <li>• Washington Learns</li> <li>• Office of Superintendent of Public Instruction</li> <li>• Washington State Department of Community, Trade and Economic Development</li> <li>• Trade associations</li> <li>• Washington Technology Center/Spokane Intercollegiate Research and Technology Institute (SIRTI)</li> </ul>

## Skills Committee

Recommendation/Action	Metric/Measures of Completion	Responsible
<p><b>Create Seamlessness</b></p> <p>Develop a voluntary, web-based model curriculum, beginning in mathematics, aligned to international and college-readiness standards.</p>	<p>Model curriculum is available on a voluntary basis statewide via the Internet.</p>	<ul style="list-style-type: none"> <li>• Office of Superintendent of Public Instruction</li> <li>• Public/Private Partnership</li> </ul>
<p><b>Raise the Bar</b></p> <p>Add an additional year of math as a high school graduation requirement.</p> <p>Strengthen teacher preparation programs, develop strategies to recruit teachers in high-need subjects and regions, and retain quality teachers.</p>	<p>The Washington State Board of Education or the Legislature requires a third year of math as a high school graduation requirement.</p> <p>Advancement of the State of Washington Professional Educator Standards Board December 2005 recommendations such as:</p> <ul style="list-style-type: none"> <li>• A state-level system for assessing educator preparation and an agreed upon and widely understood system for review and revision of high and relevant preparation standards and certification requirements for all educators;</li> <li>• A systemic and strategic approach to educator recruitment that includes collaborative efforts to combine forecasting of anticipated openings with higher education strategic enrollment planning and increased and coordinated financial incentives for entering targeted education professions;</li> <li>• Support strategies to retain high-quality educators including: adequate induction support for all new teachers and guidance for districts on designing and implementing high quality induction.</li> </ul>	<ul style="list-style-type: none"> <li>• Washington State Board of Education</li> <li>• Legislature</li> <li>• State of Washington Professional Educator Standards Board</li> </ul>
<p>Adopt strategies to decrease achievement gaps that exist for some students including some students of color and some males.</p>	<p>Improved results on the Washington Assessment for Student Learning by students currently at a disadvantage in the achievement gap.</p>	<ul style="list-style-type: none"> <li>• Office of Superintendent of Public Instruction</li> <li>• Local school districts</li> <li>• Educators</li> </ul>

Skills Committee Recommendations Continued

Recommendation/Action	Metric/Measures of Completion	Responsible
<p><b>Invest in Education</b></p> <p>Protect and augment existing funding to expand higher education enrollment slots.</p> <p>Present education to policymakers, business leaders, and the public as a quantifiable “return on investment” and support Washington Learns’ efforts in this area.</p>	<p>Providing access based on demographic and workforce needs as established by Washington Learns.</p> <p>Policymakers and business leaders continue to link education to economic development in communications with the public.</p> <p>The Early Learning Council of Washington Learns develops a communications strategy that is supported by a public-private partnership and will assist parents by providing information about healthy child growth and development.</p>	<ul style="list-style-type: none"> <li>• Washington Learns</li> <li>• Legislature</li> <li>• Washington Learns</li> <li>• Governor</li> <li>• Educators</li> </ul>
<p><b>Prepare the Workforce</b></p> <p>Support and promote the continuation and development of courses and curriculum that align with current and future workforce needs, provide applied skills, and meet rigorous standards.</p>	<p>Maintained or enhanced funding for job skills and customized training programs.</p> <p>Successful development of applied bachelor degree programs being piloted at community and technical colleges.</p> <p>Increased number of major ready pathways that ensure students are ready to enter a major upon transfer.</p> <p>High school programs that integrate strong academic and occupational skills, such as the Governor’s pre-apprenticeship program.</p>	<ul style="list-style-type: none"> <li>• Legislature</li> <li>• Governor</li> <li>• Washington State Board for Community and Technical Colleges</li> <li>• Workforce Training and Education Coordinating Board</li> <li>• Office of Superintendent of Public Instruction</li> </ul>

## **APPENDICES - COMMITTEE REPORTS**



## **APPENDIX A – INFRASTRUCTURE COMMITTEE REPORT**

### **Introduction and Overview**

Competing in a global economy requires a reliable and sustainable physical infrastructure system for agriculture, manufacturing, high-speed telecommunications, transportation and trade. Agricultural producers in Washington must be assured of sufficient water supply for irrigation. Manufacturing companies with international customers depend on energy generation and transmission infrastructure and need efficient modes of transportation for moving goods between plants. Port infrastructure must be in place to ensure quick transfer of cargo between ship and shore as well as to the larger markets that depend on Washington as an international gateway. And, access to high-speed telecommunications and efficient air travel for people and goods are key to any region desiring a global reach.

This infrastructure comprises the building blocks for a globally competitive economy. Infrastructure, while not a new need, has taken on heightened importance within an international system of production and logistics that supplants the traditional marketplace and past business practices. Our challenge is to focus on infrastructure improvements that strengthen Washington's competitive position in the world and to continue that focus into the future. The state must pledge to a "legacy of commitment" to funding and building infrastructure. Quick fixes will not solve our need for greater transportation capacity, more reliable water supplies, or better access to broadband telecommunications. In fact, committee members believe the state must take a long-term view in addressing these concerns. Infrastructure is not a cost, but an investment and the return on that investment is measured in a vibrant economy with well paying jobs for our citizens.

The Infrastructure Committee commends efforts already in progress to tackle these challenges. The "Puget Sound Regional Council's Prosperity Partnership Report," issued in September 2005, includes numerous

recommendations to improve crucial transportation corridors. Governor Gregoire is currently working with the Ports of Seattle and Tacoma to develop an action plan to ensure these important international gateways are vital and competitive over the long term. In addition, the West Coast Corridor Coalition (Washington, California, Alaska, Oregon), comprised of departments of transportation, ports, and metropolitan planning organizations and others, is seeking common solutions to infrastructure issues and present a united front to Congress to increase Congressional awareness of freight mobility projects and funding needs. The Washington State Legislature funded two valuable studies in 2005 that will provide direction on future rail capacity in our state and insights about highway funding methods such as tolling.

#### **Infrastructure Committee Goals**

The Infrastructure Committee Report focuses on the following goals:

- **Telecommunications**  
Pursue access for every Washingtonian to competitively priced, high-speed telecommunications.
- **Water**  
Ensure adequate water supply and water management for the next 100 years.
- **Freight**  
Provide a diverse freight infrastructure that moves products to all destinations in a cost-effective, predictable and timely manner.
- **Energy**  
Maintain an abundant supply of multiple, competitively priced and reliable energy sources.
- **Air Transportation**  
Ensure access from Washington State to any domestic or international destination within 24 hours.

### **Infrastructure Committee Recommendations and Background**

In addition to the recommendations below, the Infrastructure Committee also recommends sustainable, issue-specific stakeholder groups be established to provide a global perspective on current initiatives and to develop long-term recommendations. The Governor has already established the Burlington Northern Santa Fe Railway – Washington State Department of Transportation Executive Work Group and the committee looks to that as a model for formation of future Work Groups.

### **High Speed Telecommunications**

#### **Short-Term Recommendations:**

1. Inventory and assess access to high-speed telecommunications service in Washington.
2. Continue to develop strategies to meet our goal by engaging multiple service providers, users, funders and stakeholders in the process.

### **Water**

#### **Background:**

##### **Water Use Efficiency**

- **Conservation** – Current programs exist to fund conservation programs with the agricultural sector. In addition, many utilities and industrial settings are involved in programs to increase water efficiency. Existing funding is limited so we need additional investment.
- **Conveyance Improvements** – Improvements to leaking ditches and adding small reservoirs for more efficient water movement have been identified in many agricultural settings. Municipalities and public water systems often struggle with funding to prevent conveyance loss. Additional funding for re-piping and reconstruction is in high demand.

- **Water Reuse** – Cities in the Puget Sound Region send hundreds of millions of gallons per day of highly treated water into Puget Sound. The investment in an additional increment of treatment would allow water reuse and conserve existing pristine water sources.

### **Water Sharing**

(Inerties between municipal water supplies, conjunctive use, pooling/sharing of water rights.) Multiple new sources of domestic water supply have been recently identified in the Puget Sound Region. Active discussions are underway on how to share/interconnect these supplies in cost effective ways to benefit people and endangered fish species. This exemplifies a creative approach to potentially maximize the value and benefits of available resources. Eliminate the use of the “use it or lose it doctrine.” This promotes wasteful water use to avoid loss of a right.

### **Water Storage**

The possibility of storing water available during periods of high precipitation or runoff in underground or off-channel facilities is under review in watersheds across the state. The state currently funds a limited number of the efforts and further infrastructure review is necessary.

#### **Short-Term Recommendations:**

1. Encourage Conservation. Budget public money for research on conservation. Give tax credits for private sector innovation if the private innovation is made available to the public domain.
2. Change laws and rules to allow multiple uses, particularly of treated wastewater.

#### **Long-Term Recommendation:**

3. Create more storage for water. Locate storage as high up and/or as far upstream as possible to provide greater opportunity for multiple use.

## **Freight**

### **Background:**

The health of Washington's trade economy depends upon the efficient movement of freight. Whether it is agricultural products moving from Eastern Washington to Asian markets, cargo off-loading ships at the Ports of Tacoma and Seattle and moving to distribution centers in Lacey, or Boeing airplane parts traveling on I-5 for assembly at the Boeing Everett Plant, the key to Washington's ability to successfully compete in an global economy is an effective transportation system.

The Infrastructure Committee recommends that the Governor set a goal emphasizing that manufactured goods and agricultural products move to destinations and markets in a cost-effective and time-certain manner. Without confidence in the state's ability to move the goods involved in international trade efficiently, our position in the global marketplace will suffer, and trade will move to other states and countries better able to meet the demands of shippers, manufacturers and growers. With one-in-three jobs in Washington State dependent upon international trade, we must continue to invest in transportation to ensure Washington's position in the global economy remains secure.

The Washington State Legislature took important actions in 2003 and 2005 and enacted transportation funding and project packages that begin to make up for years of neglect in our state's system. There is more work to do, though, in order to ensure Washington can compete in a global economy. Main line rail capacity across our state is uneven and numerous choke points slow down the entire system. Essential highway corridors from the Port of Seattle and the Port of Tacoma to distribution centers in the Kent Valley and further east remain unfinished despite decades of planning. And, the state and its freight partners must do a better job of conveying to the public the importance of global economic competitiveness to Washington's future.

The 2005 Legislature established the Freight Mobility account, which provides between \$12 and \$20 million annually for specific freight projects over the next 16 years. With well over \$400 million in strategic freight corridor projects on the Freight Mobility Strategic Investment Board (FMSIB) list alone, a greater level of dedicated funding is needed to better leverage partnership monies from federal, regional, local and private sources. The Infrastructure Committee recommends the Governor consider allocating some of the federal discretionary motor vehicle account funds of SAFETEA-LU to the State Freight Mobility account to provide greater leverage for the partnership funding of freight projects.

Globalization, competitive industry trends, and new technologies are pushing freight volumes up twice as fast as Washington's overall population and traffic growth. Without the public sector's strategic investment, our natural population growth, intensified by these three trends, will choke international trade flows through the state, undermine regional economies, and spill over into competition for road capacity in congested metro centers. With strategic investment, Washington will continue to compete effectively in the global marketplace.

The three components of Washington State's freight system are:

- Global Gateways – International and National Trade Flows Through Washington
- Made in Washington – Washington Exports Rely on the Freight System
- Delivering Goods to You – The Retail and Wholesale Distribution System

Transporting by ship, truck and train are interdependent. We need further investments in highway and rail capacity improvements to support these important freight systems.

**Short-Term Recommendations:**

1. Support growth in main line rail capacity and port-rail connections, and preserve rail yards in metro areas. Preserve rail right-of-way statewide. Participate in Public-Private-Partnership programs and other partnerships to expand and improve capacity and safeguard air quality.
2. Develop and implement a strategically based management plan for state-owned rail assets and investment in rail structure, including short line assets.
3. Complete the major freight corridor highway system, and replace failing structures.
4. Implement a strategic dredging and lock maintenance plan for the Columbia-Snake River barge system and a strategic dredging plan for the coastal ports of Washington.
5. Encourage the Governor to continue working with federal agencies and Washington's federal delegation to ensure cargo moves securely without impeding the flow of commerce and that there be adequate federal resources dedicated to international gateways.
6. Develop a state plan for resumption of cargo movements through ports and other vital infrastructure facilities following an emergency shutdown.
7. Encourage the Washington State Departments of Agriculture, Transportation and Community, Trade & Economic Development to join with freight partners to communicate mutually developed logistics and international trade messages that communicate to political leaders and citizens the competitive value of an efficient transportation system to our state's global trade economy.

**Recommendations for Freight System Funding:**

1. Increase the amount of dedicated state funding for freight mobility projects. Maintain weight fees approved by the Washington State Legislature in 2005 that provide direct funding to freight mobility projects.
2. Create an ongoing regional source of funding for economic development freight projects, port and intermodal access improvements, grade separations, short line rail improvements, and truck routes to optimize truck movements in metro areas.
3. Resolve issues surrounding the implementation of the Regional Transportation Investment District in Snohomish, King and Pierce Counties, and move forward to gain public approval of this source of financing for key regional transportation projects.

**Energy**

**Short-Term Recommendations:**

1. Expedite the siting of renewable energy resources in the state.

**Background:**

The Energy Facility Site Evaluation Council (EFSEC) has the authority to certify, with the Governor's approval, construction of thermal electric power plants having generation capacity in excess of 350 megawatts, renewable energy resources of any size, and certain pipelines and electric transmission facilities. Several deficiencies exist in the law that prevent applicants who propose to develop renewable energy projects from being able to utilize an expedited permitting process that EFSEC can employ for projects with minimal environmental impacts.

The timeliness of construction of renewable energy projects (i.e., wind, biomass, landfill gas, geothermal, etc.) is critical. The relative cost-effectiveness of wind generation projects, in particular, compared to more



conventional electric generation technologies, depends on a Federal Production Tax Credit that applies to a facility built and placed into service before December 31, 2007. These facilities should be permitted expeditiously. For that reason, the law allowing review of EFSEC to expedite project applications should be revised to accommodate renewable energy projects.

**Short-Term Recommendations:**

2. Expedite cost recovery by electrical companies of investments in renewable energy resource projects.

**Background:**

Investor-owned utilities are allowed to recover the capital investment in new generating facilities from retail customers only after securing approval of the Washington Utilities and Transportation Commission (WUTC). Traditionally a utility seeks such approval through a general rate case in which the utility must prove the new facility provides benefits to customers (i.e., is “used and useful”) and is a prudent investment. General rate cases are infrequent and involve a broad-scale review of all of the utility’s costs and revenues as well as its overall allowed level of profit. General rate cases can take as long as 11 months from utility filing to final order.

Utility investment in renewable resources may become more attractive if there is the opportunity for a utility to seek expedited review and recovery of the costs associated with such a resource outside of the comprehensive process of a general rate case. Providing more timely review and cost-recovery can be accomplished without compromising the ability of the WUTC, electricity customers and other interested parties to fully review the utility’s decision to invest in the renewable resource and determine the prudence of costs incurred by the utility to develop it. The WUTC currently has the authority to provide such an accelerated review without new legislation. Indeed, the WUTC currently allows such a single-issue, expedited process for Puget Sound Energy pursuant to the resolution of a general rate case in 2002. That process has proven to be practical and

thorough and was recently used to review and approve the recovery of costs for the Hopkins Ridge wind farm. Allowing such a process for Avista Corporation and PacifiCorp could encourage their investment in renewable resources.

Expedited review and recovery of costs would be provided for the acquisition of all renewable resources, including hydroelectric, wind, biomass, and solar. The acquisition of renewable resources would include building new resources, upgrading existing resources, or contractual arrangements for new or existing renewable resources.

The utility acquiring a renewable resource should be able to file a request with the WUTC to increase retail rates to reflect the costs associated with the resource. Consistent with the Puget Sound Energy process, the WUTC would review, hold necessary hearings and make a decision on the rate request within five months. If the utility is timely with its filing, approval for rate recovery can coincide with the new resource coming on-line. In this filing, the utility would explain, among other things, the need for the renewable resource, its relationship to the utility's integrated resource plan and the prudence of the cost of the resource.

**Short-Term Recommendations:**

3. Facilitate the siting of electric transmission facilities.

**Background:**

Siting new and expanding existing electric transmission facilities can be a difficult, if not litigious, proposition. Building transmission projects in rural areas is challenging for an electric utility; building them in densely populated communities can be even more so. Although EFSEC permits construction of electric transmission facilities that directly connect an electric generation facility under its jurisdiction to the regional power grid, cities and counties have authority to permit all other transmission facilities. Sometimes building a transmission facility involves multiple jurisdictions, any one of which could refuse to accommodate the project.

Economic expansion and population growth in urban areas throughout the region have challenged the capacity of the electric transmission grid to maintain continuous power supply, especially since most of the electric generation serving the more populous western Washington resides east of the Cascade Mountains and outside the state.

Congress recently enacted the Energy Policy Act of 2005, which altered the relationship between the federal and state government on siting interstate electric transmission facilities. The absence of a single state authority to permit construction of such facilities gives the Federal Energy Regulatory Commission (FERC) jurisdiction over them and allows it to confer powers of eminent domain to a project developer to acquire rights-of-way. Washington lacks the requisite state authority to prevent FERC from asserting its jurisdiction and preemptory powers.

For several years now, the Legislature has entertained various iterations of legislation to address this concern. The common element in these bills was a proposal to expand the authority of EFSEC over transmission facilities of a certain size (capacity). Although local governments are generally reluctant to concede their authority over electric transmission facilities to EFSEC, giving EFSEC such power seems to be the most logical approach to addressing a problem that will only become more pronounced in the future.

**Short-Term Recommendations:**

4. Diversify the fuel supply by supporting a Washington alternative fuels sector.
5. Maintain the cost-effectiveness and reliability of the state's diverse energy supply.

**Background:**

Washington consumes approximately one billion gallons of diesel and 2.7 billion gallons of gasoline annually.<sup>29</sup> While major refineries located in the state efficiently process more fuel than is consumed in the state, that fuel supply is imported over great distances and at a high cost.

Washingtonians spend more than \$25 million per day on fuel, money that leaves the state and does not contribute to our economic vitality.<sup>30</sup>

Alternative fuels made from crops that can be grown in Washington have the potential to displace traditional fuels, providing new revenues for farmers and spawning new businesses in rural communities. Alternative fuel also reduces our dependence on foreign oil supplies and provides a hedge against volatile prices. With sound investments and a solid market framework, Washington can become a leader in alternative fuels.

**Air Transportation**

**Background:**

Efficient air transportation is critical to any region's ability to compete in the global marketplace. In fact, no modern company of any size or reach makes a decision about locating physical headquarters, offices or plants without first examining the availability and ease of getting to and from these facilities. Any city or region hoping to compete at the international level must have good quality air service for both people and goods.

**Short-Term Recommendations:**

1. Ensure access to any domestic or international destination from Washington State within 24 hours.

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<sup>29</sup> Washington State Department of Community, Trade and Economic Development, "A Primer on Gasoline Prices in Washington State - 2004," accessed March 2006, <[http://qa.cted.wa.gov/\\_CTED/documents/ID\\_1923\\_Publications.pdf](http://qa.cted.wa.gov/_CTED/documents/ID_1923_Publications.pdf)>.

<sup>30</sup> Calculated by the Washington State Dept of Community Trade and Economic Development, Energy Policy Division (based on consumption and prices 2005).

2. Support the existing process, established by the 2005 Legislature, to assess existing air transportation capacity in Washington and determine market demand for additional facilities.
3. Provide inventory of existing facility and capacity.
4. Determine through market analysis where demand is greatest for additional service or additional facilities.
5. Appoint an aeronautics council to make recommendations on developing additional air transportation capacity to supplement service at the Seattle-Tacoma International Airport.

**Intermediate-Term Recommendation:**

6. Use proven state marketing techniques to identify where the state should expand existing or build new transportation facilities.

## **APPENDIX B – MARKETING COMMITTEE REPORT**

**“I will make state government a more aggressive and savvy player in economic development, and I will work to bring new jobs to the communities in this state that need them most. We must be ready to compete in a global economy.”**

Governor Gregoire's Inaugural Address  
January 12, 2005

### **Marketing Committee**

The Marketing Committee of Governor Gregoire's was co-chaired by Tom Hedges, Hedges Family Wines, and Alex McGregor, The McGregor Company. Committee members included Steve Helmbrecht, Itron Corporation, Scott Morris, Avista Utilities, Judith Runstad, Foster Pepper PLLC, Heidi Schumann, Fluency Group, and Juli Wilkerson, Washington State Department of Community, Trade and Economic Development.

The committee met in person and via conference call several times during the process and worked many issues by exchanging e-mails and updating documents. What follows is a summary of the committee's report and recommendations.

### **Analysis**

The Global Competitiveness Council Committee on Marketing believes the state should develop and implement a sustained, global marketing strategy to competitively position Washington State as a world-class, premier location for business, products, services and education.

To maintain and enhance its global competitiveness, Washington State must develop a flexible, but long-term plan. Recognizing that in today's global economy, corporations can be headquartered anywhere on the globe, our state needs to have a clear understanding of what currently makes us an attractive economic partner and what it will take for us to meet the rising bar of global competition. In his book [The World is Flat](#), Thomas Friedman states that there has been a global leveling of competition and accelerated change is made possible by intersecting

technological advances.<sup>31</sup> By acknowledging this premise, we understand now more ever that Washington State must work to stay ahead of these rapid changes.

Washington is competing with regions around the world. More and more of these regions have arrived at the same realization – in order to compete on a global basis we must market ourselves. States, cities, regional corridors, industries and universities are drawing up plans and strategies to highlight their merits to a global audience.

Among the best known and most successful of these programs is Invest Hong Kong (Invest HK). Invest HK provides companies a gateway to mainland China and the means to navigate the regulatory and business nuances of the region. We would do well to further evaluate Invest HK's success, especially its ability to extend its presence into so many markets and its adept use of technology as a promotional tool.

Invest Northern Ireland (Invest NI) provides us a different model. Invest NI's program is very inwardly focused. The consortium provides Irish businesses and start-ups with business advice and is working to diversify the skills of its labor force. The success of Invest NI serves as an excellent example of using internal partnerships – public and private, urban and rural – to collectively build a global presence.

Washington's strategic planning should have one goal in mind: identify our distinguishing features against our many competitors. Then we must decide how to roll those distinguishing factors into a unified, umbrella marketing campaign that enables our state to retain our *truth* and essence while promoting all we have to offer.

Our first step should be to assess all concurrent visibility programs being conducted by other state entities – Washington Wine Commission, Experience Washington, From the Heart of Washington, Wish you Were

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<sup>31</sup> Friedman, The World is Flat, 181-182.

Here, etc. – and determine where we can cross-match interests, funding and programs. Additionally, there are regional programs that are striving to put a stake in the ground on global competitiveness – Prosperity Partnership, Inland Northwest Competitiveness Initiative, etc. – so these programs should be evaluated for their synergistic value to a greater, statewide initiative.

After we've mapped similar programs in the state, it will be necessary to thoroughly assess our state's assets – what is it that we want to market? What makes Washington State appealing to global partners?

Washington's strategic location is certainly a key economic attraction. As veteran journalist Dan Rather noted in recent remarks, "Whether you are talking about the 21<sup>st</sup> century economy or, God forbid, a new world war, it is in the Northern Pacific that a great deal of the pages of this century will be written on the axis of Seattle-Vancouver to Tokyo, Pyongyang and Beijing."<sup>32</sup>

The natural beauty and bio-diversity of our state adds to its competitiveness in providing a high quality of life. Our geography provides deep water ports, arable farm land and easy access to Asian markets. Our shoreline, mountains and plains draw tourists and adventurers.

The state's other world-class assets have multi-national reach and appeal. Microsoft, Starbucks, and Boeing are international brands that are helping to fuel the economies of regions around the world. Our state's agricultural products are on tables across the globe. Our state-supported universities produce globally lauded research and students. And, The Gates Foundation and the Program for Appropriate Technology in Health (PATH) have re-invented global health.

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<sup>32</sup> Kay McFadden, "Dan Rather on news, himself and even Seattle," *The Seattle Times* 20, Jan. 2006, accessed March 2006, <[http://seattletimes.nwsources.com/html/artsentertainment/2002749842\\_kay20.html](http://seattletimes.nwsources.com/html/artsentertainment/2002749842_kay20.html)>.



Today, companies make investments based upon a myriad of criteria - quality of life, good schools, workforce readiness, transportation, infrastructure, real estate pricing, taxes and the regulatory environment. Our state has these attributes, but they are useless unless their value is understood around the world. Washington State, local and regional governments, businesses, academia, labor and other organizations are obliged to work together in elevating our state in each of these categories and then in marketing our assets globally.

A key component of our marketing plan will be to position it as an investment for the State Legislature, corporations, local governments and labor. We must make the case for ongoing funding by:

- 1) Unequivocally demonstrating the need to globally position Washington State as a world-class economic partner, and,
- 2) Creating the infrastructure needed to achieve this positioning. In other words, we must communicate to prospective funders not only **why** they should underwrite a strategic campaign, but also **what** that campaign will look like and what it will do. It is also important to bear in mind that our plan must remain flexible enough to grasp funding opportunities as they become available.

### **Recommendations**

- 1) Commit to organizing a Global Business Attraction and Promotion Campaign to include trade, business attraction, tourism, education, arts and culture. The Washington State Department of Community, Trade and Economic Development (CTED) to spearhead.
- 2) Use current resources available - the first stages of an inventory of state marketing inventory is attached to the report - this work is ongoing.
- 3) Secure the necessary funding and designated revenue streams to implement a comprehensive strategy.

- 4) Obtain executive and legislative support for dedicated state funds to sustain ongoing efforts - beginning with the 2007-2009 legislative and budget cycle.
- 5) Leverage additional resources available - such as:
  - Ambassador Program and spokespeople
  - Regional initiatives
  - Partners - ports, associations, commissions, companies
  - Local celebrities and talent to convey the message
  - Tribes
  - State agencies (CTED, Agriculture, other)
  - Tourism
  - Universities
  - Arts organizations
  - Others as identified

### **Marketing Campaign Outline**

#### **Goals and Objectives**

- Promote trade across all industry sectors.
- Increase tourism.
- Attract new business and investment from around the world.
- Attract the best minds into our state's higher education institutions.

#### **Strategy**

- Position Washington as a global competitor by creating and implementing a marketing plan that builds on existing programs and develops an umbrella identity that will resonate in key markets.

#### **Work Plan**

- 1) Analyze Washington's Strengths, Weaknesses, Opportunities and Threats (**SWOT**).

- 2) Conduct a **competitive analysis** to identify current efforts and like-minded organizations, as well as competitive threats, not just from other states, but from other regions around the world.
- 3) Identify and **research major players/stakeholders** to determine how other regions view our state.
- 4) Conduct **interviews with local executives and opinion shapers** to understand the current environment, assess their competitive needs and determine if any synergistic opportunities exist.
- 5) **Audit media coverage** in order to review how our state interests are being portrayed both locally and internationally.
- 6) **Develop a marketing plan** that:
  - Creates an **umbrella approach**, so that statewide interests are being served at the same time specific regions and/or industries are being promoted.
  - Develops a **branding campaign and strategy** that distinguishes Washington as a region.
  - **Leverages existing programs**, efforts, assets, companies, and ongoing programs (e.g., tourism, wine, CTED, corporate activities, etc.) in order to eliminate duplication and build upon successes.
  - **Prioritizes targets** both geographically and by industry.
  - **Utilizes gap analysis** to find out what resources are missing and where.
  - Sets-up **ongoing implementation committee** to oversee the marketing program.
  - **Recommends funding and funding sources** as needed.
  - **Studies advertising opportunities** in support of the marketing campaign.

7) **Develop a public relations plan** that:

- **Develops a messaging architecture** that enables all stakeholders to speak to the key components of the marketing campaign in one voice.
- Implements a media relations plan that **monitors media trends and places Washington-centric stories** in key publications such as The Wall Street Journal, Financial Times, The Washington Post, The Economist, etc.
- **Creates a speakers bureau** of spokespeople for the marketing campaign, including: CTED staff, key business leaders, government officials, labor leaders, university officials, etc.
- **Provides media training** for spokespeople and key stakeholders.
- **Leverages identified events** to further the goals of the marketing plan (e.g., trade missions, gubernatorial travel, visits by foreign dignitaries, global events hosted locally, etc.).
- **Enhances flexibility to capitalize on opportunities** such as the visit by President of China, Hu Jintao, the Korea-US Economic Conference and the 2010 Olympic Games.

**Success Metrics**

- 1) Implementation and funding for marketing and public relations plan.
- 2) Greater access to foreign markets as measured by increased number of trade missions, growth in state business investment, international press coverage, and qualitative data gathered from state opinion shapers.
- 3) Increased investment and job growth in our state from both domestic and international businesses.
- 4) Increased tourism to our state.
- 5) Increased student enrollment in state educational institutions.

### Some Marketing Initiatives in the State of Washington

Marketing Campaign	Agency	Program/Audience	Partners
<b>SayWA</b>	Washington State Tourism, Department of Community, Trade and Economic Development	<p><b>Program:</b> Markets the state as a premier travel destination, thereby increasing visitor spending and generating tax revenue.</p> <p><b>Audience:</b> Age groups 35-55 that enjoy product diversity and activities. Affluent, frequent travelers who enjoy outdoor and urban experiences.</p>	<p>No state partners on a marketing co-op level.</p> <p>Washington State Department of Fish and Wildlife, Washington State Parks and Recreation and the Washington State Department of Transportation are involved in developing new programs, initiatives and tourism policy.</p> <p>Industry partners are engaged with co-op marketing activities.</p>
<b>Recreational Vehicle (RV) Promotion for International Travel</b>	Washington State Ferries	<p><b>Program:</b> Promotes a "half-fare" program for RV travel to and from Sidney, B.C., Canada.</p> <p><b>Audience:</b> RV owners, campers</p>	City of Anacortes
<b>Business Recruitment</b>	Washington State Department of Community, Trade and Economic Development	<p><b>Program:</b> Creates awareness of Washington State as a good location for new business investment.</p> <p><b>Audience:</b> National, general and economic development media, site selectors and corporate real estate executives</p>	<p>None in marketing at this time.</p> <p>Several other agencies are involved in assisting with the delivery of businesses to communities.</p>

Marketing Campaign	Marketing Strategies	Campaign Timeline
<b>SayWA</b>	<p>Website <a href="http://www.Experiencewa.com">http://www.Experiencewa.com</a> includes destinations, attractions, community events, points of interest, itineraries, direct business links, research, reports, press room and other information relevant to the consumer and industry.</p> <p>Advertising includes "Call to action" print ad campaign and ad placements (2-4 ads per season placed in 3-5 prominent publications), TV on a limited basis through the "back roads" Belo program, and a co-op campaign.</p> <p>The Media and Public Relations program is strategically used to highlight destinations/attractions as "unique" stories and represents a \$25 million media equivalency value.</p> <p>The office marketing efforts also include family tours, press tours, and five-six travel trade shows.</p> <p>The Tourism Office has overseas contractors in Japan, Germany-Netherlands, and France.</p>	<p>Ongoing. Reviewed every two years. Awareness and/or return on investment studies.</p>
<b>Recreational Vehicle (RV) Promotion for International Travel</b>	<p>Advertising, Promotions</p>	<p>Ongoing</p>
<b>Business Recruitment</b>	<p>Website <a href="http://www.ChooseWashington.com">http://www.ChooseWashington.com</a> includes a unique statewide searchable real estate database, county demographics, press releases, and much more. In addition, it has a tool that allows tracking of activity on site for measurement purposes.</p> <p>A public relations firm targets media placement and free editorial placement.</p> <p><i>Washington Wire</i>, a monthly press release is distributed to local, regional and national media.</p> <p>Trade Shows (8-10 targeted trade shows per year). These permit the state and local partners to get in front of targeted sectors to educate about the state, generate business leads and learn about key industry issues.</p>	<p>Ongoing</p>

### Some Marketing Initiatives in the State of Washington

Marketing Campaign	Agency	Program/Audience	Partners
<b>Wish You Were Here</b>	Washington State Parks	<p><b>Program:</b> Creates awareness of the 120 parks throughout Washington and persuades people to visit year-round for the day and stay in the variety of overnight accommodations.</p> <p><b>Audience:</b> Primarily Washingtonians; secondarily, people living in nearby states. Mainly urban populations that are nature oriented and looking for close-to-home destinations for weekend outings and vacations.</p>	None
<b>From the Heart of Washington</b>	Washington State Department of Agriculture	<p><b>Program:</b> Increases awareness of agriculture and its importance to the economy and quality of life in Washington, especially in the central Puget Sound basin. Increases the purchase of locally grown food and agricultural products.</p> <p><b>Audience:</b> Consumers in Washington</p>	Agriculture Commodity Commissions

<b>Marketing Campaign</b>	<b>Marketing Strategies</b>	<b>Campaign Timeline</b>
<b>Wish You Were Here</b>	Website: <a href="http://www.parks.wa.gov">http://www.parks.wa.gov</a> highlights Washington State Parks as close-to-home destinations for spectacular scenery, natural beauty, leisure activities, historic, geologic and cultural places of interest, plus overnight stays.	Ongoing, with reach and frequency dependent on seasonal budget.
<b>From the Heart of Washington</b>	<p>Strategy is currently under review. Expected strategies will include using public relations (especially PSAs, news articles, drive-time radio) to raise awareness of the variety, quality, safety and availability of Washington-grown products and of the role and importance agriculture plays in the state economically, environmentally and socially.</p> <p>Look for partners in the food industry and media to leverage resources. Work with food retailers to increase the availability of Washington-products in the supermarket and to promote products to consumers.</p>	A spring 2006 promotion with follow-up in the fall during harvest.



### Some Marketing Initiatives in the State of Washington

Marketing Campaign	Agency	Program/Audience	Partners
<b>Go Play Outside</b>	Washington State Department of Fish and Wildlife (WDWF)	<p><b>Program:</b> "Go Play Outside" is an initiative aimed at increasing interest in, support for, and participation in outdoor recreation. Partnerships and collaborative efforts, provide the unifying concept to recruit new outdoor recreationists, encourage mentoring programs, and provide information, outreach, and education to the public. The Wildlife Coalition, a consortium of local, state and national organizations, non-profit groups, license dealers, outdoor sports businesses, outdoor recreation groups and educators, was formed to help sponsor and produce "Go Play Outside" events.</p> <p><b>Audience:</b> Families; sponsored events focus on youth.</p>	State Parks
<b>Promotion of fish and wildlife-based recreation opportunities in Washington.</b>	Washington State Department of Fish and Wildlife (WDFW)	<p><b>Program:</b> Increase awareness and participation in fishing, hunting and wildlife viewing by providing current information on fish and wildlife-related recreational opportunities across Washington.</p> <p><b>Audience:</b> Current and potential sport fishers, hunters and wildlife viewers. Visitors with an interest in fish and wildlife-based recreation People planning visits around a particular fishery, etc.). Outdoor reporters and other news media.</p>	N/A

Marketing Campaign	Marketing Strategies	Campaign Timeline
<b>Go Play Outside</b>	The primary role of the WDFW is to act as a catalyst to bring together external partners and provide statewide coordination and consistency for "Go Play Outside" activities conducted by partners.	Ongoing
<b>Promotion of fish and wildlife-based recreation opportunities in Washington.</b>	<p>Website: <a href="http://wdfw.wa.gov/gpo/">http://wdfw.wa.gov/gpo/</a></p> <p><i>Weekender</i>—a bi-monthly compilation of current fish-and wildlife-related recreational opportunities statewide, distributed to news media and agency listserv and posted prominently on agency website. Each issue lists current saltwater and freshwater fishing, by fish species; shell fishing (including coastal razor clam openings), hunting openers and seasonal wildlife viewing such as birding and whale sightings.</p> <p>"Wild About Washington"  <a href="http://wdfw.wa.gov/pubaffrs/wildwash/">http://wdfw.wa.gov/pubaffrs/wildwash/</a>  A monthly cable television program aimed at increasing public interest in fish and wildlife-based recreational opportunities. The program is used by a number of schools for classroom discussion, is distributed to 40 cable channels in Washington, Oregon and Idaho.</p> <p>Video tours of some of WDFW's major wildlife areas and associated recreational opportunities are also available on the department website:  <a href="http://wdfw.wa.gov/lands/r3oakcrk.htm">http://wdfw.wa.gov/lands/r3oakcrk.htm</a></p>	N/A

## **APPENDIX C – POLITICAL ENVIRONMENT COMMITTEE REPORT**

### **Broad Vision**

The Global Competitiveness Council Committee on Political Environment believes in order for Washington State to compete in the global market place, there needs to be more stability within the political processes of state and local governments.

### **Elements of a Strategy**

A key element to the success of becoming globally competitive is a stable political environment. A strategy for global competitiveness, once developed, cannot survive constant changes in leadership and the political environment without the widespread backing of individuals and institutions. Long-term, consistent support of a globally competitive strategy would have greater appeal to skeptics of the political process and give public officials a predictable mandate and a reason to stay the course. In short, progressive, thoughtful consensus from key individuals and groups can help stabilize the political environment and perpetuate the work of the Global Competitiveness Council.

To begin building consensus, the committee proposes conducting a series of well-publicized briefings/focus groups in several regions around the state. Settings would be informal and outside of government offices. Participants would be carefully selected to ensure key individuals were included. The general public would also be invited to attend.

Policymakers and other government officials would be encouraged to sit in with the groups to hear what citizens have to say. The sessions would have as goals:

- Inform participants about the nature of a globally competitive strategy, the reasons for developing it, the benefits for Washington State and the metrics used to measure progress;
- Gather input from participants that could aid with implementation;

- Achieve a sense of vesting for the participants so they would identify with and feel they were a part of a comprehensive strategy for global competitiveness.

Key statewide and regional groups would be invited to partner in organizing and sponsoring the focus groups and local organizations would be invited to host, have significant input into and participate in the sessions. The sessions would be professionally moderated and structured around key issues of global competitiveness. Written summaries of the proceedings would be made available in hard copies and electronically on the Internet.

### **Political Environment Issues**

Several factors have an effect on the political stability of a state. In the opinion of the Political Environment Committee, the following are some of the issues confronting Washington State:

- **Long-term goals or vision for our state**  
*It is time for a renewed 50-year plan for the next decades.*
- **Confidence or honor in running for elected office**  
*To attract viable candidates for public office, we must restore the public's confidence in running for elected positions.*
- **The legislative structure**  
*To successfully recruit and retain quality, diverse individuals, we must evaluate the legislative structure. Are there too many political subdivisions in the state? Could the Legislature look at interest-based negotiations?*
- **The initiative and referendum process**  
*This process in Washington State needs continual review and adjustments to prevent commercialization of this citizen right.*
- **Informed leaders**  
*Our legislators and statewide leaders need to as familiar as possible with our national and international trading partners.*

- **Resources for business recruitment and retention**

*The budget of the Washington State Department of Community, Trade and Economic Development needs to be revitalized to carry out this effort in cooperation with the state business and labor community.*

- **Cultural diversity**

*Our population needs to have a better understanding of the comparative differences between world cultures and religions in order to have more effective business relations in the global marketplace.*

- **The tax structure**

*The state's tax structure must remain competitive locally, statewide, nationally and internationally.*

- **Cost of health care**

*The cost of health care is becoming increasingly difficult to afford.*

- **Public and private pension funds**

*Many of these funds are not stable or adequately funded.*

### **Recommendations**

The Political Environment Committee is putting forth these recommendations to stabilize the political environment of the state:

#### ***Global Recommendations:***

1. Restore civility and dignity and understanding to:

- The value of public service
- The political and elections process
- The legislative and regulator process

To attract civic-minded people to run for all levels of office, we need to:

- a. Remove barriers to running for and service in office (work with employers to ensure that people serving in the Legislature do not lose their position or career path in the private or public sector).

- b. Look at the Executive Ethics Board and the Public Disclosure Commission to determine if there are unnecessary or overstated rules or laws that discourage people from serving. Note: The Political Environment Committee does not want to weaken the intent of the Executive Ethics Board or the Public Disclosure Commission, but questions whether the rules and procedures are reasonable and enforceable.
2. Develop a long-term global competitiveness vision that would have many of these objectives:
- a. Create a very long-term plan with a lot of citizen input to decide what we want Washington State to be in the future.
  - b. Craft an action plan that transcends political parties and the barriers in government to achieve it.
  - c. Identify good information, communications and measurements to implement the plan.
  - d. Find non-traditional, innovative ways to resolve traditional disputes between interest groups. Support and work closely with the new William Ruckelshaus Dispute Resolution Center being developed by the University of Washington and Washington State University.
  - e. Concentrate more on education in our schools especially on civics and economics. Find ways to enhance economic education and place a new emphasis on teaching foreign languages and diverse cultures in our public schools. Comparative religion courses should be more broadly offered to our high school and college students.
  - f. Establish methods for restoring public confidence and respect in government and the legislative bodies.
  - g. Streamline the regulatory process and eliminate duplication and delays. Permitting and licensing reforms are needed.
  - h. Reinstate a more personal approach to answering questions citizens may have with a regulatory agency or governmental entity.

- i. Cultivate predictability and eliminate uncertainty by regulators.
- j. Review taxes and procedures at every level of government to institute necessary changes to keep us competitive.

***Focused Recommendations:***

1. Find alternative options and relief valves for voters to the initiative and referendum process.
2. Provide good intelligence to a business in danger of closing or relocating. Feed the intelligence to the right people in business and government to see if collective intervention can keep the operation in Washington and attract new investments to it.
3. Look at political subdivisions in the state to see if our state and local governments are running efficiently and cost effectively.

**Implementing the Recommendations**

The Committee on Political Environment suggests the following educational and political strategies for implementing their recommendations:

**Educational**

- Expand opportunities for more overseas education. For example, participate in the new Abraham Lincoln Scholarship program.
- Develop a comparative religion studies component for kindergarten through grade 12 curricula.
- Establish an educational relationship with colleges overseas, especially in China, India, Japan and Great Britain.
- Develop a trade corps program.

**Political**

- Legislature must continue to develop a bipartisan global competitiveness vision.
- Engage the public in a discussion about how the initiative and referendum process affects our ability to compete in world trade.

- Look at dispute resolution in the political process especially for the long range and tougher problems.
- Develop a better understanding between the “space needle” and “goat rocks” versions of the state.
- Devise and implement a better process to engage the public in issues affecting trade.
- Design cross-training programs between government regulators and the businesses they oversee.
- Outline and implement a better process to educate and engage the public in issues affecting trade and overseas business opportunities.



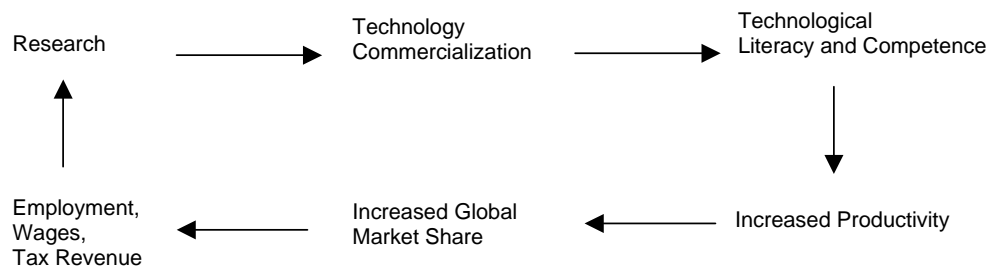
## **APPENDIX D – RESEARCH AND INNOVATION COMMITTEE REPORT**

### **Summary**

The Global Competitiveness Council Committee on Research and Innovation believes that innovation and research hold the key to our economic future. This report will provide a direction for Washington to focus its efforts in order to succeed and remain competitive and the means of evaluating our successes. The recommendations of the committee analyses are defined and reported in the summary of the final report.

The Global Competitiveness Council Committee on Research and Innovation believes that research and innovation create a cycle of development that yields increased living standards and globally competitive businesses, following this general pattern:

### **The Cycle of Research, Innovation and Economic Growth**



The Innovation and Research Committee proposes a broad 10-year vision that connects the importance of strong research and innovation with the:

- A. Creation of jobs;
- B. Healthy economic growth and a high standard of living; and
- C. Broad opportunity throughout the state's economy, reaching people of all backgrounds and in all the state's geographic locations.

Innovation holds the key to promoting the next generation of products. It is central to rejuvenating our mature industries like forestry and agriculture.

It holds the promise of leading the world in new and unforeseen industries. It is the key to the demand side of our economic engine and the supply side of our education and skills strategy. Only through research, innovation, and productivity can Washington compete globally and provide secure jobs and higher living standards.

### **Elements of Success in the Innovation Economy**

In today's constantly changing global market, the economy of today is not the economy of yesterday. Unfortunately, the United States economy is not keeping pace with advancements made by the rest of the world; and in order to remain successful, we must focus efforts on technological advances, economic innovation, and entrepreneurship. For this reason, in order for Washington State's economy to thrive and maintain growth, the economy needs to continue transforming with the times and demands of not only the present, but also the future.

There are many elements that are needed for an innovation economy. According to The 2002 State New Economy Index, there are eight key policy areas that states must foster for an innovation-oriented economy:

1. Focus on the quality, not quantity, of jobs in the region.<sup>33</sup>
2. Know your state's function.
3. Get smart about business incentives.
4. Co-invest in the skills of the workforce.
5. Co-invest in an infrastructure for innovation.
6. Support industry clusters.
7. Boost quality of life.
8. Help more regions succeed in the new economy.

These key areas establish that the new economy of today has many facets that are required to interact in order to experience strong economic growth. According to The 2002 State New Economy Index, economic forces include the reorganization of firms, more efficient and dynamic capital

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<sup>33</sup>The 2002 New State Economy Index, accessed March 2006, <<http://www.neweconomyindex.org/states/2002/strategies.html>>.

markets, more economic “churning” and entrepreneurial dynamism, relentless globalization, continuing economic competition, and increasingly volatile labor markets.<sup>34</sup>

Today’s economy is based on innovation, integration, and competitiveness in all markets. Therefore, Washington State needs to be capable of responding to this competition as a single economic entity.

The 2004 Prosperity Partnership Regional Economic Summit revealed that areas of concern for local community and business leaders are: human resources, technology, business climate, access to capital, physical infrastructure, and quality of life. Based on these concerns, key areas of focus are education, technology transfer, small business and entrepreneurship, taxation, transportation, and social capital to facilitate and improve Washington’s competitiveness.<sup>35</sup>

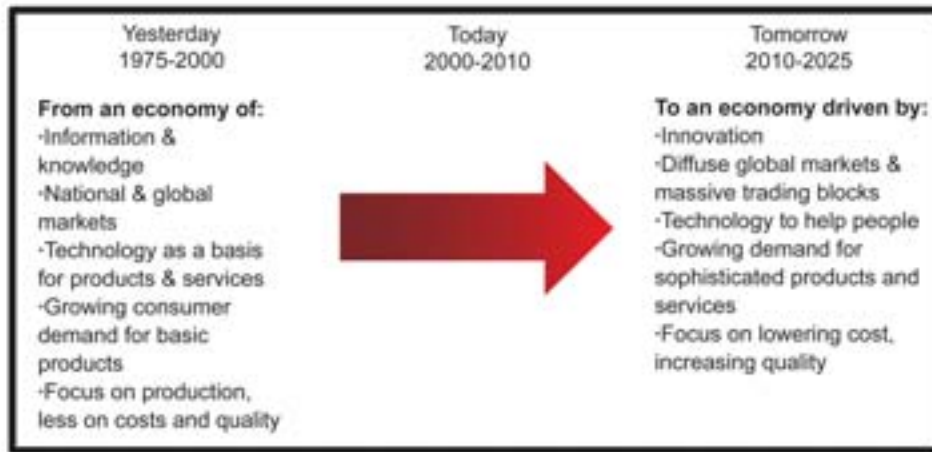
The Prosperity Partnership has recommended focusing on making the foundations of our economy stronger. An example of this would be more attention to science and math in our education systems and improved commercialization efforts in technology transfer. Stronger foundations will allow our institutions and firms to transform and adjust to new opportunities. These recommendations are a reiteration that all markets must work together in our region in order to create a successful system that is innovative and competitive.

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<sup>34</sup> The 2002 New State Economy Index, accessed March 2006, <<http://www.neweconomyindex.org/states/2002/strategies.html>>.

<sup>35</sup> Prosperity Partnership: “November 19, 2005 Regional Economic Summit,” accessed March 2006, <<http://www.prosperitypartnership.org/news/summit/breakoutsummary.pdf>>.

### The Changing External Environment



Source: Economic Competitiveness Group, 2005 <sup>36</sup>

In the changing global market of today, Washington State must continue to establish strategies in order to work together as a region and single economic entity. In order to effectively work as a single unit, we must ensure that all parties are communicating with a single focus and centralized plan of action. These strategies must, therefore, reflect the changing priorities of the economy and allow responses to these changes. The state must focus on quality, competitiveness, integration and innovation in order to contend with not only other states, but also the rest of the world.

#### How Does Washington Measure Up for Innovation?

It is widely recognized that innovation has become a major driving force in economic growth and social development. Reflecting the importance of innovation, we must analyze both the successes of Washington's economy in the present, as well as the means of improving on these successes in the future. Gaining perspective on our accomplishments and shortfalls will allow Washington, and the Puget Sound Region, to utilize this great engine of economic growth. It is vital to address and evaluate the strategies that

<sup>36</sup> Minutes, Economic Development District Board Of Directors, Wednesday, April 13, 2005, accessed March 2006, <[http://www.psrc.org/boards/cpsedd/edd\\_bd\\_minutes/edd\\_bd\\_minutes\\_041305.pdf](http://www.psrc.org/boards/cpsedd/edd_bd_minutes/edd_bd_minutes_041305.pdf)>.

Washington employs in order to evolve successfully with the global economy.

The progression of the world economy embodies an economic opportunity for regions that are capable of developing into centers of excellence in research and commercialization. Washington State has many assets including leading-edge biotechnology, pharmaceutical and information technology companies, strong research universities, and many pioneering research facilities, which foster innovation, a high rate of invention, technology transfer, and business startups.

According to The 2002 State New Economy Index, Washington has pronounced strengths in software, entrepreneurial activity developed in the Puget Sound region, and a very strong use of digital technologies by all sectors. Due to these strengths, Washington State is ranked number two in the index of innovative economies.<sup>37</sup> The Index revealed that states tend to score well because of their rate of adaptability, or rate of “creative destruction” – the shedding of old practices while embracing the new. They found that this was a key element to economic transformation in the public, private, and non-profit sectors. They also found that innovative capacity is increasingly what drives competitive success in the New Economy. A state’s innovative capacity is motivated by many economic sectors including universities, research and development (R & D) investments, scientists and engineers, and entrepreneurial drive.

According to The Index, the most economic growth in the new economy stems from increases in knowledge and innovation and its widespread adoption. This report measured innovation capacity as: 1) share of jobs in high-tech industries, 2) scientists and engineers as a share of the workforce, 3) the number of patents relative to the size of the workforce, 4) industry R & D as a share of Gross State Product (GSP), and 5) venture capital invested as a share of the GSP. Washington State ranked 8<sup>th</sup>

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<sup>37</sup> The 2002 New State Economy Index, accessed March 2006, <<http://www.neweconomyindex.org/states/2002/strategies.html>>.

overall in its innovative capacity, ranking noticeably lower in the number of scientists and engineers as a percentage of the workforce, as well as the amount of venture capital invested as a percent of GSP. Among states faring better than Washington are Massachusetts and California.

As indicated by “Bio 21: Washington State’s Initiative in 21<sup>st</sup> Century Health,” Washington lacks both the significant state financial commitment as well as an organized public-private partnership to remain competitive with other states, regions, and countries that are able to move aggressively on both fronts.<sup>38</sup> “Bio 21” points to the fact that Washington State historically ranks 46<sup>th</sup> among all states in per capita spending on research & development and maintains that this lack of state support can be detrimental to the state’s overall position in research, effectively lowering economic opportunities. Examples of states that are making major investments in research and development (R & D) are California, New York, Georgia, and Michigan. As other states are investing heavily in their R & D sectors, Washington must compete in order to maintain federal support as well as attract and retain the most talented people in research.

Despite the lack of state support, Washington universities and non-profit research institutions managed to attract well over one billion dollars in federal funding for research. However, “Bio 21: Washington State’s Initiative in 21<sup>st</sup> Century Health” asserts that Washington’s public and non-profit research institutions are not fully translating that research into commercial opportunities; for example over the period 1963-2001, Washington ranked 25<sup>th</sup> among all states in per capita patents issued, which acknowledged as a key metric of innovation within an economy.

Washington State and the Puget Sound Region have many assets that will enable it to be a leader in the 21<sup>st</sup> century. Washington is well positioned in many areas, but other states are succeeding as well and advancing at great rates. For these reasons, Washington must look to the successes of

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<sup>38</sup> The Technology Alliance, “Bio 21: Washington State’s Initiative in 21<sup>st</sup> Century Health.” Prepared for Governor Gary Locke from the Bio 21 Steering Committee, accessed March 2006, <[http://www.iowabiotech.com/econ\\_dev\\_reports/BIO21\\_Report.pdf](http://www.iowabiotech.com/econ_dev_reports/BIO21_Report.pdf)>.

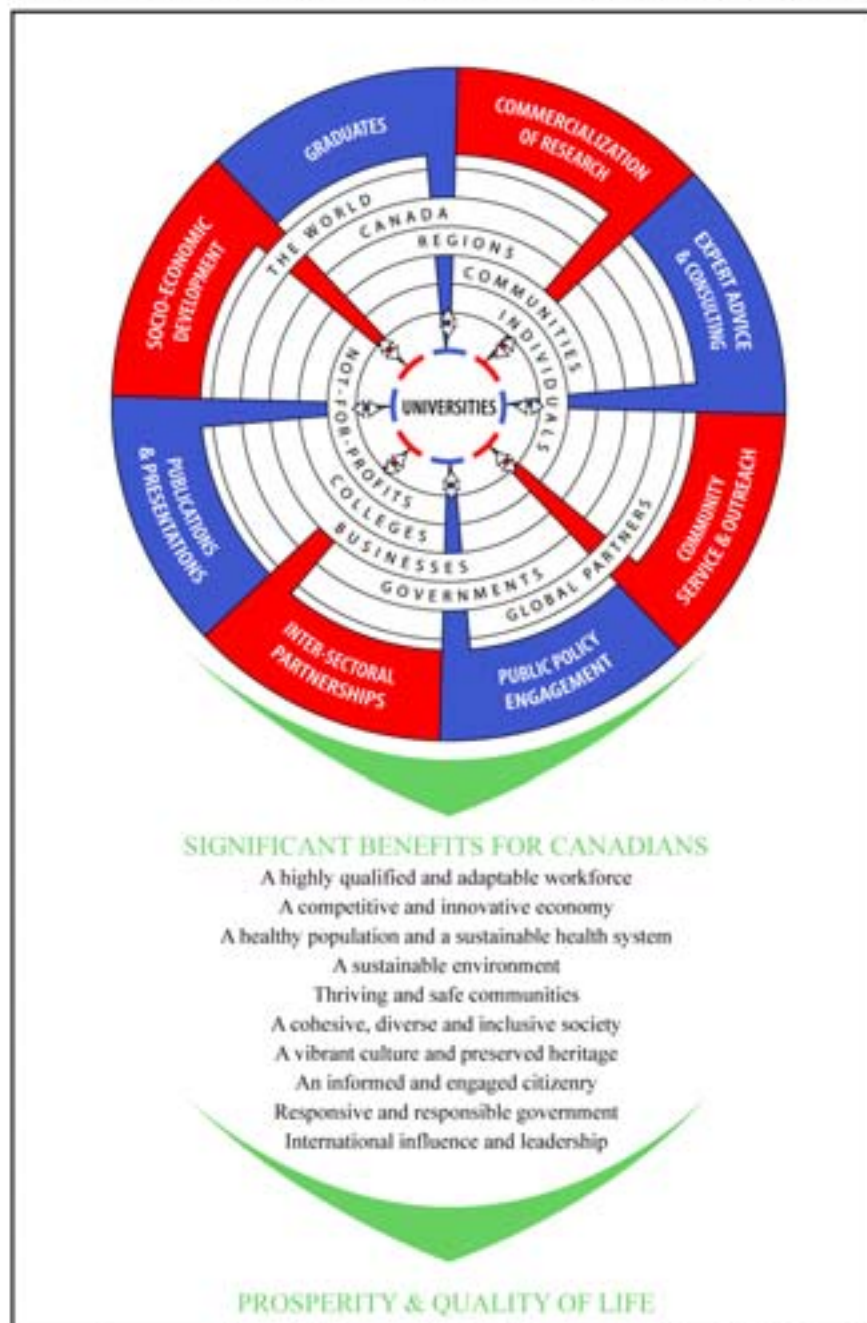
other state economies, making necessary adjustments, and positioning itself at the top of the competition. It is essential that Washington develop a strategy so as to sufficiently address these analyses and enable Washington to exploit the successes of others. An economy that is effectively able to utilize its strengths, while improving on its weaknesses and evolving with the needs of today, will be the powerhouse of tomorrow.

### **The Role of Higher Education and Research in Innovation**

Today's global economy is a highly competitive, knowledge-driven market. Based on this, states must confront strong pressures to conduct more research and better educate students in a high-quality, research-enriched environment, while becoming increasingly productive, competitive, and collaborative. Because of these demands, capacity for both postsecondary institutions and research investments – including teaching hospitals, medical laboratories, venture capital firms, and many other related sectors – are intimately tied to economic prosperity. These investments directly and indirectly support millions of jobs nationwide and have immeasurable value for Washington's economy.

Universities, and the research and knowledge they contribute to the economy, have the potential to be huge economic engines. According to "Momentum: the 2005 Report on University Research and Knowledge Transfer," Canada's universities cumulatively impacted Canada's economy by an estimated \$50 billion in 2004 through university research, spin-off companies, new products, services, and jobs. Quality universities foster economic development through knowledge transfer and human capital, as well as the attraction of new, innovative companies to the area. For these reasons, as well as many others, Washington would benefit greatly from investments in collaborations connecting quality programs in higher education and research, leading to high rates of innovation, greater competitiveness, and economic prosperity.

### The Many Benefits of University Research and Knowledge Transfer



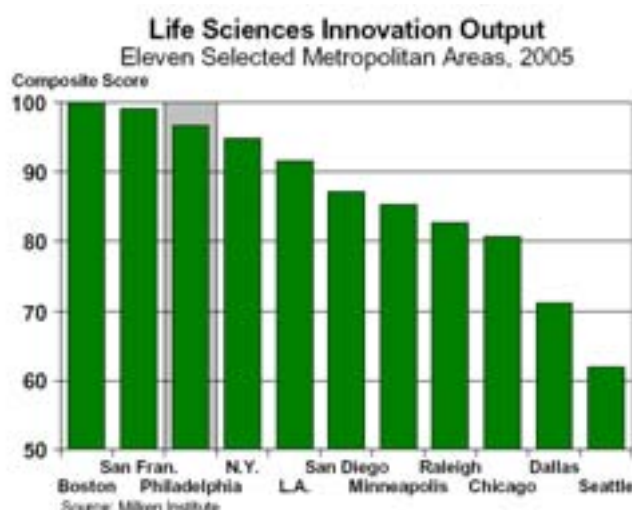
Source: Momentum: The 2005 Report on University Research and Knowledge Transfer.<sup>39</sup>

<sup>39</sup> Association of Universities and Colleges of Canada: "Momentum: The 2005 Report on University Research and Knowledge Transfer," 43, accessed March 2006, <[http://www.aucc.ca/momentum/en/\\_pdf/momentum\\_report.pdf](http://www.aucc.ca/momentum/en/_pdf/momentum_report.pdf)>



Washington and the Puget Sound Region have a lot of work to do in order to fully exploit the possible rewards of a successful research infrastructure. According to the recently released “The Greater Philadelphia Life Sciences Cluster, An Economic and Comparative Assessment,” despite being home to some of the top life science researchers in the nation, the Seattle metropolitan area ranks 10<sup>th</sup> out of the nation’s top eleven metropolitan areas in the total current impact of life sciences due to a lack of supporting industries. The greater Philadelphia region was at the top of this list with close to 400 companies engaged in life science activities, 276,000 life science industry jobs with each life sciences job creating an additional 4.2 jobs in all other sectors, and \$15.5 billion in gross metro product in the region.

In the measure of life sciences innovation output, assessing the quality of science, Seattle places a dismal last place out of eleven. “The Greater Philadelphia Life Sciences Cluster” measured the number of patents earned by a region and multiplied by science linkage indicators, therefore identifying how regions balance out both the quality and quantity of their life science patents.<sup>40</sup>



<sup>40</sup> Milken Institute: “The Greater Philadelphia Life Sciences Cluster,” accessed March 2006, <[http://www.pennsylvaniabio.org/images/pdfs/Philadelphia\\_Life\\_Sciences\\_Research\\_Summary.pdf](http://www.pennsylvaniabio.org/images/pdfs/Philadelphia_Life_Sciences_Research_Summary.pdf)>.

An economy is only capable of going so far unless it has a qualified workforce with applicable knowledge. Washington's postsecondary research institutions must encompass quality, first-class programs in many areas and produce superior graduates in order to compete with many world-class institutions and recruit the best faculty, graduates, and researchers into the region. Due to this, high-quality educational and research institutions are a large factor in competitiveness. "The Greater Philadelphia Life Sciences Cluster" reveals that Seattle was ranked eighth out of eleven metro areas in the number of bachelor's degrees awarded in the life sciences, which includes bachelor's degrees in biology, and cell and molecular biology. Seattle also ranked a disappointing last in the number of master's and ninth in the number of PhD degrees awarded in life sciences. This study points out the fact that these specialized disciplines are crucial to the functioning of the biotechnology sector, which is one of the most promising areas for economic growth and technological innovation in the commercial life sciences.

Although Washington has many significant attributes in the research and knowledge transfer sectors, there are many essential criterion that the state must achieve to become ranked among the elite centers in the country and the world. The most economically successful locations are those that foster a collaborative framework with substantial resource investments, and strengths in education, research, development, and innovation. Washington must continue to strive to achieve this collaboration to facilitate becoming a powerhouse among the competition.

**Recommendations:**

The committee has identified four priorities that together create a positive cycle for innovation and economic growth:

- A. Increase support for research, especially in universities;
- B. Ensure a healthy transfer of technology and knowledge from universities to the commercial marketplace;

- C. Promote the use of technology and innovation broadly throughout society, including businesses large and small, for people of all backgrounds and walks of life, and in all parts of the state; and
- D. Prepare and engage the workforce for making use of these innovations.

### **Elements of a Strategy**

For each of the priorities, we'll address two areas:

- A. Where we want to be as a state in ten years.
  - (1) This requires that we establish a baseline measurement of where we are today in each of the four areas.
  - (2) We'll define measurable outcomes that we want to create in ten years.
- B. How we want to get there.
  - (1) We'll identify principal challenges that need to be addressed.
  - (2) Specific steps that we believe the state should take, both in the short-term (i.e., the 2006 legislative session) as well as the longer-term.

### **Implementing the Strategy**

The following recommendations were developed over the course of the Research and Innovation Committee's work. After the full list of recommendations were developed, the committee, at their January meeting, agreed to a set of primary recommendations. The primary recommendations represent the highest priorities for the committee for short-term action (this legislative session or year) and the longer term (as much as ten years into the future). In some cases the committee felt that there were both short term and long-term approaches possible within a given category. In those cases, the committee chose to highlight the activity as both a short-term and long-term priority.

## **A. INCREASE RESEARCH AND INNOVATION SUPPORT**

**Primary Short Term Recommendation:** “Bridge” funding for the Life Sciences initiative, including activities to increase administrative funding and secure non-state funds.

**Primary Long Term Recommendation:** Develop statewide strategies to recruit “star” academic researchers. Specifically, recruit and provide institutional support for nano-technology experts and other experts in vital future fields. The committee expressed particular interest in the Georgia Research Alliance example.

**Additional Recommendations:**

- Increase state funding for research and research-related institutions.
- Show results from the Life Science Discovery fund as key examples to capture the imagination of Washingtonians.

## **B. PROMOTE COMMERCIALIZATION AND TECHNOLOGY TRANSFER**

**Primary Short Term Recommendations:**

- (1) Create a local grant process to promote local efforts around innovation zones, setting the stage for redirecting resources toward local concentrations of innovation in 2007-2008.
- (2) Promote and implement 2005 ethics rule changes and establish measures of success for these activities.

**Primary Long Term Recommendation:** Review and adopt recommendations of the Economic Development Commission report, “Enhancing Washington State’s Economic Future: Commercializing Technology Developed in Our Research Institutions,” January 2006 consistent with Global Competitiveness recommendations.

**Additional Recommendations:**

- Support incentives for public-private partnership.
- Support investment capital for some groups.
- Focus on healthy technology transfer, measured against number of companies created and licenses transferred.
- Develop strategies to better promote technology and innovation access for small businesses and for minority- and women-owned businesses.
- Increase Washington companies' access to the inventions and technologies generated by Washington research institutions.
- Develop inventory of funding sources for technology development and commercialization.
- Convene groups to encourage access to early stage capital; fund the Technology Alliance activity around private angel groups.
- Develop tax policies to foster a vibrant entrepreneurial climate.
- Create strategies to address international concerns around intellectual property.

**C. BROADEN DISTRIBUTION OF TECHNOLOGICAL KNOWLEDGE AND ACCESS**

**Primary Short and Long Term Recommendation:** Develop strategies to better promote technology and innovation access for small businesses and for minority- and women-owned businesses and help them grow and compete.

**Additional Recommendations:**

- Stronger focus on innovation challenges and opportunities outside Puget Sound.
- Develop shareable presentations on Washington's technology and innovation resources, strengths, and economic benefits. Use these tools to engage business, labor, and the general public in discussions and forums regarding research and education as the future of our state economy.

## **D. PREPARE AND ENGAGE THE WORKFORCE TO PROMOTE INNOVATION**

**Primary Short and Long Term Recommendation:** Evaluate market-based responses to higher education funding, including different tuition levels for high demand, high cost areas.

**Additional Recommendations:**

- Promote incentives, financial and non-financial, for students, faculty, and institutions to focus on critical academic disciplines necessary for economic growth.
- Examine curriculum and institutional investments in higher education to evaluate preparedness for the innovation economy.
- Prioritize educational investments to support the innovation economy by increasing the allocation of resources to four year and graduate degree programs.
- Develop an incumbent worker training and engagement strategy that promotes innovative work practices and technology adoption.

## **APPENDIX E – SKILLS COMMITTEE REPORT**

### **Broad Vision**

The Global Competitiveness Council Committee on Skills believes Washington State must improve and strengthen its educational system to be competitive on a global basis. Education is a fundamental investment that can yield significant returns for Washington's citizenry, its economy, and its global standing.

The Skills Committee envisions a seamless educational system that raises the bar of educational expectations and achievements through a quality, standards-based system. The system that is envisioned will align state investments in education with projected workforce needs and address issues of equity and access to education.

### **The Global Competitiveness Council Committee on Skills and Washington Learns**

Governor Gregoire has acknowledged the critical importance of an excellent education and requested the Legislature approve the formation of Washington Learns, a comprehensive study to create a strong education system that will provide an educated citizenry and a thriving economy in the state. The Legislature acted and the 18-month study commenced in July 2005. Washington Learns is based on the vision that a well-educated population is vital to a vibrant and prosperous society. The Skills Committee endorses the goals of Washington Learns and looks forward to contributing to the final report in November 2006. It is not the intent of the Skills Committee to duplicate the efforts of Washington Learns but rather to focus our attention on issues and actions that sharpen the global competitiveness aspect of education reform.

### **Washington's Educational Landscape**

A compilation of recent studies and findings from national studies was produced for Washington Learns and included the following observations and conclusions.

- In the area of early learning, research showed that quality early learning is a critical predictor of educational attainment and that the attainment gap begins early and persists.<sup>41</sup>
- The highest dropout rate among high school students used to occur between 11<sup>th</sup> and 12<sup>th</sup> grades. One national study found that now the transition from 9<sup>th</sup> to 10<sup>th</sup> grade is the weakest link in the educational pathway.<sup>42</sup>
- Approximately 40 percent of high school graduates in Washington require remedial coursework in college.<sup>43</sup>
- One-third of Washington's adult population has only a high school degree or less.<sup>44</sup>

Overall research into Washington's educational outcomes was constrained by the lack of a comprehensive student data system. Improved data would tremendously help educators and policymakers identify educational attainment gaps and ways to boost overall educational outcomes. Our economic and civic well-being depends on significantly improving student

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<sup>41</sup> "Early Childhood Education and Assistance Program (ECEAP)," accessed March 2006, <[http://www.cted.wa.gov/\\_CTED/documents/ID\\_1974\\_Publications.pdf](http://www.cted.wa.gov/_CTED/documents/ID_1974_Publications.pdf)>.

<sup>42</sup> "Washington's Education Pathways." Presented to Washington Learns Steering Committee October 10, 2005, accessed March 2006, <[http://www.washingtonlearns.wa.gov/committee/0510/101005\\_sc\\_pathways.pdf](http://www.washingtonlearns.wa.gov/committee/0510/101005_sc_pathways.pdf)>.

<sup>43</sup> Office of Superintendent of Public Instruction (OSPI): "Social and Economic Sciences Research Center, Washington State Graduate Follow-up Study, Class of 2003 All Graduates, Olympia, WA," accessed March 2006, <<http://www.survey.sesrc.wsu.edu/gfs/pdfpapers/Class2003Y1AllGrads.pdf>>.

<sup>44</sup> U.S. Census Bureau, Census 2000 Summary File 3, Table PCT25, accessed March 2006, <<http://www.census.gov/population/www/socdemo/age/c2kguide.html#sf3>>.



success along each educational pathway. Next, we will turn to proposals to address this situation and move the state forward.

### **Priorities**

The committee has identified four priorities on which to focus efforts to improve education and raise the educational attainment level in Washington to one that compares favorably with leading international attainment levels.

1. Create seamlessness by breaking down the barriers within the educational system;
2. Raise the bar of educational attainment for students and educators through a standards-based assessment system that supports, improves, and strengthens educational programs and measures Washington's students against international standards;
3. Increase resources and invest in education;
4. Prepare students for the workplace of today and equip them with skills to adapt to the workplace of the future.

### **Elements of the Strategy**

For each of the priorities, we will address two areas: where we want to be as a state in ten years and how we want to get there. Below, we put forward specific steps, both short and long-term.

### **Implementing the Strategy**

- A. ***Creating Seamlessness:*** In ten years the committee envisions an educational system where there is a clear progression of skills and knowledge based on world-class standards that will prepare all students for a globally competitive work environment. We would expect there to be extensive cooperation in preparing curriculum and assessments across all levels of the educational system (from pre-kindergarten to higher education), common expectations, and a shared

vision of a successful education program that improves students' skills and increases each school's retention rate.

***Short-term steps to move this vision forward:***

- Seek funding to create a voluntary, web-based, model curriculum (beginning in mathematics) that is aligned to international and college-readiness standards such that post-high school remediation is unnecessary.
- Develop data systems that adequately provide information on the progress of students and the educational system.

***Long-term steps to move this vision forward:***

- Provide universal pre-kindergarten services.
- Expand the model curriculum to include all subjects.

**B. Raising the Bar:** In ten years the committee envisions having standards in place that are comparable to the standards within the best educational systems in the world. These standards will prepare students to enter the workforce ready to meet the challenges of the global economy without the need for remediation.

***Short-term steps to move this vision forward:***

- Add an additional year of math as a high school graduation requirement.
- Convene a panel of experts to identify appropriate international standards in key content areas.
- Strengthen teacher preparation programs, develop strategies to recruit teachers in high-need subjects and regions, and retain quality teachers.

***Long-term steps to move this vision forward:***

- Develop a curriculum based on international standards that is available on a voluntary basis statewide.

- Encourage districts to provide courses of study that expose students to different cultures, including the opportunity to learn world languages.
- Adopt strategies to decrease achievement gaps that exist for some students including some students of color and some males.

**C. Investing in Education:** In ten years the committee envisions a system that provides the resources necessary to maintain the highest international standards, produces graduates ready to compete in the global economy, and is perceived by community and business leaders as an excellent return on investment.

***Short-term steps to move this vision forward:***

- Protect and augment existing funding to expand higher education enrollment slots.
- Support Washington Learns funding study efforts.

***Long-term steps to move this vision forward:***

- Present education to policymakers, business leaders, and the public as a quantifiable “return on investment.” Evaluate market-based responses to higher education funding, including different tuition levels for high-demand, high-cost areas.

**D. Preparing the Workforce:** In ten years the committee envisions a system that aligns educational programs with workforce needs to provide the human resources necessary to compete effectively in the global economy.

***We are supporting the following short-term steps from the Research and Innovation Committee and offer an additional recommendation:***

- Create financial incentives for students, faculty, and institutions to focus on key disciplines necessary for economic growth.

- Support and promote the continuation and development of courses and curriculum that provide applied skills and meet rigorous standards.

***Long-term steps to move this vision forward***

- Align state investments with workforce needs.
- Enhance the skills training opportunities for kindergarten through grade 12 students by collateralizing current efforts and taking an active interest in the skilled trades and in the portion of the workforce that does not have a bachelor's degree.